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Coventry City Council

Agenda

Audit and Procurement Committee

Time and Date

2.30 pm on Monday, 26th July 2021

Place

Diamond Rooms 1 and 2 - Council House

Please note that in line with current Government and City Council guidelines in relation to Covid, there will be limited public access to the meeting to manage numbers attending safely. If you wish to attend in person, please contact the Governance Services Officers indicated at the end of the agenda.

Public Business

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of Previous Meeting** (Pages 3 - 10)
To agree the minutes of the meeting held on 28th June 2021
4. **Outstanding Issues** (Pages 11 - 16)
Report of the Director of Law and Governance
5. **Work Programme 2021/2022** (Pages 17 - 18)
Report of the Director of Law and Governance
6. **External Audit Plan Year Ending March 2021 (Grant Thornton)**
(Pages 19 - 86)
Report of the External Auditor, Grant Thornton
7. **2020/21 Revenue and Capital Outturn** (Pages 87 - 124)
Report of the Director of Finance
8. **Audit and Procurement Committee Annual Report to Council 2020-21**
(Pages 125 - 130)
Report of the Chair of Audit and Procurement Committee

9. **Annual Governance Statement 2020-21** (Pages 131 - 158)
Report of the Director of Finance
10. **Any other items of public business which the Chair decides to take as a matter of urgency because of the special circumstances involved.**

Private business

Nil

Julie Newman, Director of Law and Governance, Council House, Coventry

Friday, 16 July 2021

Note: The person to contact about the agenda and documents for this meeting is Michelle Salmon, Governance Services, Tel: 024 7697 2643, Email: michelle.salmon@coventry.gov.uk

Membership:

Councillors M Ali, J Blundell, G Hayre, R Lakha (Chair), T Sawdon, B Singh (Deputy Chair) and R Singh

By Invitation:

Councillor R Brown – Cabinet Member for Strategic Finance and Resources

Named Substitute Members:

Councillors R Bailey and A Hopkins

Public Access

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<https://www.coventry.gov.uk/publicAttendanceMeetings>

Michelle Salmon
Governance Services
e-mail: michelle.salmon@coventry.gov.uk

Agenda Item 3

Coventry City Council

Minutes of the Meeting of the Audit and Procurement Committee held at 2.30 pm on Monday, 28 June 2021

Present:

Members: Councillor R Lakha (Chair)

Councillor M Ali

Councillor J Blundell

Councillor A Hopkins (Substitute for Councillor G Hayre)

Councillor B Singh

Councillor R Singh

Employees (by Directorate):

Finance P Jennings, Tyler

Law and Governance M Salmon

Apologies: Councillor R Brown (Cabinet Member for Strategic Finance and Resources) - Invited
Councillor G Hayre
Councillor T Sawdon

Public Business

1. Declarations of Interest

There were no disclosable pecuniary interests.

2. Minutes of Previous Meeting

The minutes of the meeting held on 28th June 2021 were agreed as a true record.
There were no matters arising.

3. Outstanding Issues

The Audit and Procurement Committee considered a report of the Director of Law and Governance which identified issues on which a further report / information had been requested or was outstanding so that Members were aware of them and could manage their progress.

Appendix 1 to the report provided details of issues where a report back had been requested to a meeting, along with the anticipate date for consideration of the Matter. In respect of item 2 relating to 'Update report on the key issues highlighted in the Audit Findings Report be submitted to a future meeting of the Committee', and item 3 relating to 'further detail of planned IT audit work for 2021/22 be submitted to the Committee when the Annual Audit Plan is submitted', the Committee were advised that these matters would be dealt with in reports being considered at this meeting.

Appendix 2 of the report provided details of items where information had been requested outside formal meetings, along with the date when this had been completed.

RESOLVED that the Audit and Procurement Committee notes the Outstanding Issues report.

4. Work Programme 2021/22

The Audit and Procurement Committee considered a report of the Director of Law and Governance which set out the Work Programme of scheduled issues to be considered by the Committee during the Municipal Year 2021/2022.

The Committee noted that the items headed ‘Audit Findings Report 2019-20 (Grant Thornton)’ and ‘Draft Statement of Accounts 2020-2021’ had been rescheduled for consideration from the 26th July meeting to 27th September 2021 meeting and the Work Programme would be revised accordingly.

RESOLVED that the Audit and Procurement Committee notes the revised Work Programme for 2021/2022.

5. 2019/20 Accounts Update

The Audit and Procurement Committee considered a report of the Director of Finance that provided an update on the delayed 2019-20 accounts closedown, including responses to recommendations from the External Auditors and matters that had arisen since the last update to Committee. It was noted that Grant Thornton would provide their own official update on any outstanding issues at the conclusion of the audit. An Appendix to the report provided a summary of the issues resolved and were in-Progress.

The local government accounts reporting deadlines for 2019/20 were extended due to the Covid pandemic and following the passing of the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. The revised arrangements set out were for councils to publish their draft accounts by 31st August 2020 and to have their final Statement of Accounts audited and published by 30th November 2020. The Council published its draft accounts on 26th June 2020 which provided a five-month window in which to have the accounts audited and submitted to the Audit and Procurement Committee for final approval. Grant Thornton’s draft Audit Findings Report (AFR) was submitted to Committee on 30th November 2020 and highlighted a higher than normal number of issues and adjustments for the Council’s accounts, the large majority of which had been accepted by the Council. The Committee resolved to receive an update report on the key issues highlighted in the report to a future meeting.

The Committee was also informed that it wasn’t possible for the Council’s accounts to be signed off at that time. The external auditors reported a small number of issues remained outstanding which had prevented the final audit opinion from being issued. The AFR stated that the auditor’s work was “substantially complete” and there were no matters which they were aware of that would require modification of their audit opinion or material changes to the

financial statements. The outstanding matters outlined were receipt of assurance confirmations from component auditors of Tom White Waste Limited and Coombe Abbey Park Limited, receipt of the management representation letter and a review of the final set of financial statements.

Subsequent external audit activity undertaken to enable the Council's accounting statement to be finalised identified further issues that had been the subject of significant work since November. This had caused further delay to completion of the 2019/20 accounts and had had an impact on work required for the 2020/21 accounts. This report provided an update on this position.

The report set out the Council's response to the Audit Findings Report brought to the 30th November 2020 meeting and outlined the auditor queries that had been the subject of additional work since that date.

The responses fell into the following categories:

- a) Matters where Grant Thornton and the Council had agreed accounting adjustments (Items 4, 5 and 6) – all these would be incorporated into the final accounting statement.
- b) Areas where further information was outstanding (Items 1 and 2) – all outstanding information had been provided.
- c) Subjects where the Council was satisfied that its existing accounting approach was robust and defensible (Items 3, 10 and 11) – the Council would continue with its existing practice.
- d) Areas where Grant Thornton had recommended valuations to be completed (Items 4, 5, 7, 9) – external valuation experts have been appointed.
- e) Remaining areas where Grant Thornton had recommended further valuation work to be completed (Items 5, 8).

In addition to these, the Audit Findings Report included a number of lower level adjustments and amendments, all of which were accepted at the time.

The two areas where the Council needs to determine its approach going forward were in respect of investment property valuations (Appendix 1 item 5) and the valuation of assets held by Tom White Waste Limited in the Council's Group Accounts (Appendix 1 item 8).

Following the undertaking of an in-depth review undertaken by Grant Thornton the main issues raised as part of the review were:

- a) Extensive challenge on the nature of the Council's relationship and accounting treatment of UKBIC (UK Battery Industrialisation Centre), the arrangements and accounting transactions during its construction phase, its treatment in the Council's Single Entity Accounts and Group Accounts and the value of UKBIC as an investment on the Council's balance sheet. The nature of the relationship between UKBIC and the Council is distinctly non-standard from the Council's perspective and includes several questions of a quasi-legal nature.

- b) The treatment of de-recognition in the valuation of the Council's infrastructure assets. Derecognition refers to the amount of an existing assets value that needed to be removed from the accounts when an existing asset was replaced by a new asset (particularly for instance when highways works were undertaken).
- c) The treatment of property asset value reduction for UKBIC upon completion as either impairment or downward re-valuation. This distinction was important because it was reported in different areas of the accounts and the Council had been asked to justify and disclose adequately its re-valuation treatment.
- d) The overall impact of changes in property valuations has also led to consideration of whether the Council needed to undertake a Prior Period Adjustment (PPA) to the accounts. A PPA was sometimes required where errors or changes to previous accounting treatments were identified which are judged to be so significant that their impact needed to be restated in relation to previous years' accounts and the opening balances of the year in question. The combined impact of property valuation queries was such that the need for a PPA was now thought to be required.

Further consideration and discussion had arisen as a result of the lateness of the accounts in relation to circumstances that existed or facts that emerged subsequently relating to the financial period in question. In addition, issues had emerged in closing-down the following year's accounts (for 2020/21) relating to accounting treatments used previously and whether balances had been brought forward correctly. These discussions had not resulted in changes to the 2019/20 accounts.

RESOLVED that the Audit and Procurement Committee notes the progress made since the last report on these matters, the current status of the 2019/2020 accounting process and the issues outstanding to be resolved.

6. Internal Audit Annual Report 2020-21

The Audit and Procurement Committee considered a report of the Director of Finance that summarised the Council's Internal Audit activity for the period April 2020 to March 2021 against the agreed Audit Plan for 2020-2021 and the Public Sector Internal Audit Standards. The report also provided the Audit and Procurement Committee with the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of Coventry City Council's risk management, internal control and governance arrangements for the financial year 2020-2021. Appendices to the report provided: details of the Audits completed in 2020-2021; the Summary findings from key audit reports; and a Cyber / IT Security briefing note.

The Audit and Procurement Committee approved the Council's Internal Audit Plan for 2020-2021 at its meeting on the 30th November 2020. During the last financial year, the Committee received a progress report summarising completed audit activity in January 2021. This report detailed the performance of the Internal Audit Service against the Plan for 2020-2021, which was presented in order for the Audit and Procurement Committee to discharge its responsibility, as reflected in its term of reference - "To consider the Head of Internal Audit's Annual Report and Opinion, and a summary of internal audit activities (actual and proposed) and the

level of assurance given within the Annual Governance Statement incorporated in the Annual Accounts".

The report was set out in the following sections:

- Assessment of the performance of the Internal Audit Service against its key targets.
- The results of the Quality Assurance and Improvement Programme and the Chief Internal Auditor's statement on conformance with the Public Sector internal Audit Standards.
- A summary of the audit activity in 2020-21 and highlighting issues that have not been reported to the Audit and Procurement Committee previously and are relevant to the overall opinion.
- The Chief Internal Auditor's opinion on the overall adequacy and effectiveness of Coventry City Council's risk management, internal control and governance arrangements.

The key target for the Internal Audit Service was to complete 90% of its agreed work plan by the 31st March 2021. Whilst the plan was originally developed on the basis of an estimate of 550 available audit days, this was subsequently slightly amended to 500 days following a reassessment of available resources in quarter four, and reflected the fact that establishing an accurate resource position was more difficult when changes in staffing occurred during the year. As a result, the performance of the Service had been assessed against the revised audit plan of 500 days. The service delivered 91% of the plan.

As a result of the pandemic and the need to prioritise work which had been required to support the Council's response to Covid-19, the Service had been unable to progress the improvement actions from the 2019-2020 improvement plan. These actions had therefore been carried forward to this year's plan, along with new actions which had been identified during 2020-2021. Forthcoming progress against these actions would be included in future reports to the Committee.

Details of audit reviews carried out in the financial year 2020-2021 along with the level of assurance provided, were set out in an Appendix to the report.

A summary of the findings of key audits that had not already been reported to the Committee during the Municipal Year 2020-2021 were included in further Appendices to the report. In all cases, the relevant managers had agreed to address the issues raised in line with the timescale stated. The reviews would be followed up in due course and the outcome reported to the Committee.

In respect of follow up of disclosures made in the Internal Audit Annual Report 2019-20, in the previous annual report, the Chief Internal Auditor identified a number of areas where she believed significant control improvements were required. The report provided an update on each of these areas: Health and Safety Audit Programme; and IT Disaster Recovery.

The Committee agreed that the Council's IT Strategy be sent to Members of the Committee for their information. They also agreed that IT be requested to pursue Cyber Security Training for Elected Members and that Officers feedback to Members on the position regarding Cyber Insurance.

RESOLVED that the Audit and Procurement Committee considered and notes:

- 1) The performance of Internal Audit against the Audit Plan for 2020-21.**
- 2) The results of the Quality Assurance and Improvement Programme and the Chief Internal Auditor's statement on conformance with the Public Sector Internal Audit Standards.**
- 3) The summary findings of key audit reviews (attached at Appendix two to the report) that have not already been reported to Audit and Procurement Committee during municipal year 2020-21 and which are relevant to the opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment.**
- 4) The opinion of the Chief Internal Auditor on the overall adequacy and effectiveness of Coventry City Council's risk management, internal control and governance arrangements.**

7. Internal Audit Plan 2021-22

The Audit and Procurement Committee considered a report of the Director of Finance that submitted the draft Internal Audit Plan for 2021-22, attached as an appendix to the report, to the Audit and Procurement Committee to allow the Committee to express its views on the extent and nature of the planned coverage.

In terms of proposed audit activities, the draft Internal Audit Plan documented the outcome of the audit planning process for 2021-2022. The report set out the mechanism for allowing the Audit and Procurement Committee to discharge its responsibility but also enabled them, as a key stakeholder of the Internal Audit Service, to comment on the content and scope of the proposed Internal Audit Plan.

The priorities of internal audit activity were determined through the development of an annual risk- based Internal Audit Plan. The report documented the planning process and identified the outcome of the process, namely the draft Internal Audit Plan for 2021-2022.

Key points to note from the results of the initial assessment of priorities included:

- a) The draft plan was based on an allocation of priorities against the current level of audit resources available. The resource requirements had been assessed taking into account the requirement to produce an annual audit opinion and the Council's overall assurance framework. Due to current vacancies in the Service, it was difficult at this stage to precisely define the overall level of resources that would be available for 2021-2022, however a current estimate had been made that there would be 650 days for audit and corporate fraud

work, compared to 500 days in 2020-21. In the event that there was a significant change in the available audit days over the course of the year, flexibility would be retained in how these resources were utilised. Updates on the resource position and any resulting change to the audit plan would be provided in future reports to the Committee.

b) In focusing the available resources to develop a plan which met the needs of the Council, the following approach had been taken:

- A documented risk assessment has been undertaken, which considered the Council's corporate risk register and key priorities as identified from consultation with Directors and other senior managers, alongside other priorities linked to areas of risk which have been highlighted by the Chief Internal Auditor. Where appropriate, an assessed risk level had been made. Where stated as medium rather than high, this generally reflected findings of previous audit reviews in the respective area / an initial assessment of the control environment.
- A risk-based approach to the audit of schools, rather than a cyclical programme of audit work.
- A flexible and responsive approach to issues highlighted by senior officers with dialogue to ensure resources were directed in accordance with their priorities.
- A flexible approach to corporate fraud investigations, offering expert advice and support rather than undertaking the Investigating Officer role.
- The need to continue to allocate some resource to supporting the administration and assurance requirements linked to the government's Covid-19 business related grants.

Other areas of planned work included:

- a) Corporate Risks – the focus of audit coverage in 2021-22 regarding the corporate risk register, was aligned to those areas where it was clear Internal Audit could make a contribution to the management of the risks, including emerging issues linked to activities. This included reviews of budgetary control, equality and diversity in recruitment, and arrangements linked to the prevention and relief of homelessness.
- b) ICT – The programme of work of IT audit work was established through an IT audit needs assessment which identified areas of focus over a three-year period (subject to annual review.) In 2021-2022, the areas which had been agreed were File Storage (optimising and making the best use of available platforms), Service Desk (assessment of the new system for raising IT issues and associated processes), and Storage Area Network (a modernisation project.)
- c) Council / Audit priorities – this incorporated audit work linked to specific priorities which had a corporate impact such as purchasing cards, IR35 compliance and climate change.
- d) Regularity – this included work to meet the assurance requirements of grant funding received by the Council, and co-ordination of the Annual Governance Statement and declarations of interest exercise.
- e) Directorate risks – this audit area included those issues highlighted through dialogue with Directors which could affect the achievement of operational objectives. In 2021-2022 identified areas include Public Health information management system, Fleet Services and buildings statutory compliance.

As a result, it is believed that the draft Audit Plan for 2021-22 was sufficient for the work required to report on governance, the management of risks and internal controls in the year and to prepare our annual opinion and report.

The Committee agreed that consideration be given to a future audit of Customer Services performance and also that equality and diversity remained a focus in next year's Audit Plan.

RESOLVED that the Audit and Procurement Committee notes the content and scope of the draft Internal Audit Plan for 2021-22, attached as Appendix 1 to the report, and approves the Plan.

8. **Any other items of public business which the Chair decides to take as a matter of urgency because of the special circumstances involved.**

There were no other items of public business.

(Meeting closed at 5.15 pm)



Audit and Procurement Committee

26th July 2021

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources – Councillor R Brown

Director approving submission of the report:

Director of Law and Governance

Ward(s) affected:

N/A

Title:

Outstanding Issues

Is this a key decision?

No

Executive summary:

This report is to identify those issues on which further reports / information has been requested or are outstanding so that Members are aware of them and can monitor their progress.

Recommendations:

The Committee is recommended to:

1. Consider the list of outstanding items as set out in the Appendices to the report, and to ask the Director concerned to explain the current position on those items which should have been discharged.
2. Agree that those items identified as completed within the Appendices to the report, be confirmed as discharged and removed from the outstanding issues list.

List of Appendices included:

Appendix 1 - Further Report Requested to Future Meeting
Appendix 2 - Information Requested Outside Meeting

Other useful background papers:

None

Has it or will it be considered by scrutiny?

No

Has it, or will it be considered by any other council committee, advisory panel or other body?

No

Will this report go to Council?

No

Report title:
Outstanding Issues

1. Context (or background)

- 1.1 In May 2004, the City Council adopted an Outstanding Minutes system, linked to the Forward Plan, to ensure that follow-up reports can be monitored and reported to Members.
- 1.2 At their meeting on 25th January 2017, the Audit and Procurement Committee requested that, in addition to further reports being incorporated into the Committee's Work Programme, a report be submitted to each meeting detailing those additional reports requested to a future meeting along with details of additional information requested outside the formal meeting.
- 1.3 Appendix 1 to the report outlines items where a report back has been requested to a future Committee meeting, along with the anticipated date for further consideration of the issue.
- 1.4 In addition, Appendix 2 to the report sets out items where additional information was requested outside the formal meeting along with the date when this was completed.
- 1.5 Where a request has been made to delay the consideration of the report back, the proposed revised date is identified, along with the reason for the request.

2. Options considered and recommended proposal

- 2.1 N/A

3. Results of consultation undertaken

- 3.1 N/A

4. Timetable for implementing this decision

- 4.1 N/A

5. Comments from the Director of Finance and the Director of Law and Governance

- 5.1 Financial implications

N/A

- 5.2 Legal implications

N/A

6. Other implications

6.1 How will this contribute to achievement of the Council's Plan?

N/A

6.2 How is risk being managed?

This report will be considered and monitored at each meeting of the Cabinet

6.3 What is the impact on the organisation?

N/A

6.4 Equalities / EIA

N/A

6.5 Implications for (or impact on) climate change and the environment

N/A

6.6 Implications for partner organisations?

N/A

Report author(s):

Name and job title:

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Governance Services Co-ordinator

Service:

Law and Governance

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Enquiries should be directed to the above person.

Contributor/approver name	Title	Service	Date doc sent out	Date response received or approved
Contributors: -				
Names of approvers: (Officers and Members) -				

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Appendix 1

Further Reports Requested to Future Meetings

	Subject	Minute Reference and Date Originally Considered	Date for Further Consideration	Responsible Officer	Proposed Amendment to Date for Consideration	Reason for Request to Delay Submission of Report
1	Further information requested on the progress of recommendations made in respect of the audit of IT Disaster Recovery.	Minute 6/20 19 October 2020	When the formal follow-up review of the audit is undertaken, the findings be reported to Committee	Karen Tyler		

* identifies items where a report is on the agenda for your meeting.

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Appendix 2

Information/Action Requested Outside Meeting

	Subject	Minute Reference and Date Originally Considered	Information Requested / Action Required	Responsible Officer	Date Completed
1.	Corporate and COVID 19 Risk Registers	Minute 46/20 15 th March 2021	Information be sent to the Committee on the outcome of previous investigations into the Council operating its own agency for the employment of staff	Paul Jennings	
2.	Internal Audit Annual Report 2020-21	Minute 06/21 28 th June 2021	The Council's IT Strategy be sent to Members of the Committee for their information	Karen Tyler	
3.	Internal Audit Annual Report 2020-21	Minute 06/21 28th June 2021	IT be requested to pursue Cyber Security Training for Elected Members	Karen Tyler	
4.	Internal Audit Annual Report 2020-21	Minute 06/21 28th June 2021	Members be provided with feedback on the position regarding Cyber Insurance	Paul Jennings	

Work Programme 2021-2022

28th June 2021

Internal Audit Annual Report 2020-21
Internal Audit Plan 2021-22
2019/20 Accounts Update

26th July 2021

Annual Governance Statement 2020-21
Audit and Procurement Committee Annual Report to Council 2020-21
2020/21 Revenue and Capital Outturn
External Audit Plan Year Ending March 2021 (Grant Thornton)

27th September 2021

Annual Fraud and Error Report 2020-21
Quarter One Revenue and Capital Monitoring Report 2021-22
Whistleblowing Annual Report 2020-21
Audit Findings Report 2019/20 (Grant Thornton)
Draft Statement of Accounts 2020-2021
Six Monthly Procurement Progress Report (Private)

29th November 2021

Half year Internal Audit Progress Report 2021-22
Information Governance Annual Report 2020
Quarter Two Revenue and Capital Monitoring Report 2021-22
RIPA (Regulation of Investigatory Powers Act) Annual Report 2020
Audited 2020/21 Statement of Accounts
Audit Findings Report 2020/21

31st January 2022

Half Year Fraud and Error update 2021-22
Treasury Management Update
Complaints to the Local Government and Social Care Ombudsman 2019/20

21st March 2022

Quarter Three Internal Audit Progress Report 2021-22
Internal Audit Recommendation Tracking report
Corporate Risk Register Update
Quarter Three Revenue and Capital Monitoring Report 2020-21
Six Monthly Procurement Progress Report (Private)

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Coventry City Council Audit Plan

Year ending 31 March 2021

Coventry City Council
26 July 2021



Contents



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Key matters

Factors	Our response
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Council revenue position

The Council continues to operate in an uncertain and challenging environment due to changes to Government funding and the global pandemic. The pandemic has impacted significantly on the Council finances. Significant grants have been received from Government, many of which have been passed on to individuals and business to support them during this difficult time. The Council has also received over £40m in non ringfenced COVID grant this year to support its own additional expenditure and reductions in income.

The Council set a net revenue budget of £238.8m and its outturn expenditure was £229.5m. The balance of £9.2m was set aside in reserves to support the City's Covid recovery. The Council has also made other payments into reserves during the year, allowing it to increase overall reserve levels to £122.5m. In addition the Council has been provided with £48.3m to offset losses in business rates due to Covid. This places it in a strong revenue position .

The Council has set a net revenue budget of £244m for 2021/22. As part of the budget it will utilise £11m of Covid support money and will draw £2.5m from reserves for loss of dividends from its companies and £3.7m to cover council tax and NDR losses.

Overall the Council has managed its revenue finances well during the pandemic and has emerged in a strong position. However, as per the Revenue and Capital Outturn report to Cabinet (July 2021) 'Given that the Covid impact will extend into 2022/23 and that a tight funding settlement is anticipated from Government next year it is important that the Council continues to maintain a strong financial position to protect itself in what could be a very challenging financial environment.

Council capital position

The Council set out a Capital Programme of £232.7m for 2020/21. Programme expenditure was £194.2m. This is a significant programme. Key areas of expenditure included transport and highways (£37m), UKBIC £32m, Coventry Railway Station (£30m), and Public Realm (£24m). The vast majority of this was grant funded (£155m) but we note that £24m was financed through borrowing (which has increased the Council's long term liabilities to £331.7m. The slippage against programme includes highways, Light Railway and Public realm which were understandably delayed by Covid restrictions.

The Council has set a capital programme of £220m. This includes £43m for the Friargate commercial development. It will borrow £32m to fund this increasing its long term liabilities to £335m. We will consider the level of Council borrowing as part of our Value for Money audit.

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Audit Report
Coventry City Council
Financial Statement Audit
Year ended 31 March 2021

Key matters

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Factors

Commercial Investment Strategy

The Council's Commercial Investment strategy includes assets held in the form of shares, commercial property and loans to external organisations. Its commercial assets include:

- Shares : the Coventry and Solihull Waste Disposal Company, Birmingham Airport, Coombe Abbey Park Ltd, Tom White Waste Ltd and Friargate JV Project Ltd
- Commercial property holdings across Coventry, including offices, shops and retail units
- Loans : Coombe Abbey Park Ltd loans; Friargate Holdings 2 Ltd, local residents under the Kickstart scheme, local business funding through Coventry and Warwickshire Reinvestment Trust

The investments bring variable risks to the Council. We will consider these risks and the Council's group governance as part of our value for money audit.

Accounts audit

We are in the process of completing our accounts audit for 2019/20. This has been delayed due to the need to reconsider the accounting treatment for UKBIC. We hope to complete our audit of the accounts in July and August 2021. We will then commence our audit of the 2020/21 financial statements.

The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing. Due to the growing complexity of the group we have set out a comprehensive programme of work in our 2020/21 plan. In addition, our work on the accounts will consider the accounting for Covid grants.

The current lockdown restrictions mean that we may have to continue to work completely remotely for a longer period and potentially through much of the audit for 2020-21. Working in cooperation with the Council, we managed this effectively for the 2019-20 audit and we will be in regular contact with your finance team in respect of the logistics of these arrangements for our 2020-21 programme of audit work. We aim to build on our experience from last year. As restrictions ease will consider the implications for how this impacts on how we complete the audit.

Our response

- We will consider the management of your commercial investment strategy, borrowing, and group governance as part of our value for money work
- We will enhance our procedures with regard to the Council's group of companies and in relation to the accounting for Covid related grants

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Coventry City Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Coventry City Council. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Procurement Committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit and Procurement Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of:

- Coventry City Council
- The Coventry and Solihull Waste Disposal Company Limited
- Tom White Waste Limited
- UK Battery Industrialisation Centre LTD
- Coombe Abbey Park Limited
- Friargate JV Project Limited
- North Coventry Holdings Limited
- Coventry North Regeneration Limited.

We note that this is an increasingly complex group.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of land and buildings and investment properties
- Valuation of pension fund net liability
- Accounting for the Group and Long-Term Investments.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £12.2m (PY £12.6m) for the group and £12.0m (PY £12.4m) for the Council, which equates to 1.5% of your prior year gross expenditure. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.6m (PY £0.6m).

Introduction and headlines cont.

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following risks of significant weakness:

- **Group governance:** The Council's interest in associated companies has grown over the last few years, and there are indications this will continue to grow. We will assess the Council's arrangements for managing this diverse group of companies
- **Investment decisions:** the Council has an increasingly diverse portfolio of investments including subsidiaries, associates and joint ventures. We will review the arrangements the Council has in place for making these investment decisions

Audit logistics

Our planning stage has taken place during January – April 2021 and our final stage will take place in August to November 2021. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £211,414 (PY: £198,000- to be finalised and approved by PSAA) for the Council, subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.



Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component Limited	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Coventry City Council	Yes	Audit of the financial information of the component using component materiality	Risks set out on pages 8-12 of this report.	Full scope audit performed by Grant Thornton UK LLP
The Coventry and Solihull Waste Disposal Company Limited	No, but material	Specified audit procedures	We have not identified any significant risks of misstatement of the group financial statements, however the following balances are expected to be material to the group: <ul style="list-style-type: none">• Revenue• Expenditure• Property, plant & equipment	Specific scope procedures will be completed on these financial statement line items by the component auditor, Ernst & Young LLP. The nature, time and extent of our involvement in the work of the component auditor will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of their audit documentation and meeting with appropriate members of management.
Tom White Waste Limited	No, but material	Specified audit procedures	We have not identified any significant risks of misstatement of the group financial statements, however the following balances are expected to be material to the group: <ul style="list-style-type: none">• Revenue• Expenditure• Property, plant & equipment	Specific scope procedures will be completed on these financial statement line items by the component auditor, Azets Audit Services Limited. The nature, time and extent of our involvement in the work of the component auditor will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of their audit documentation and meeting with appropriate members of management.

Key changes within the group:

From the completion of our audit planning procedures, we are not aware of any changes to the group during the 2020/21 financial year.

Audit scope

- Audit of the financial information of the component using component materiality
- Specified audit procedures
- Analytical procedures at group level

Group audit scope and risk assessment

cont.

Component Limited	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
UK Battery Industrialisation Centre LTD	No, but material	Specified audit procedures	To be confirmed upon completion of final procedures in relation to the 2019/20 group audit	To be confirmed upon completion of final procedures in relation to the 2019/20 group audit
Friargate JV Project	No, but material	Specified audit procedures	We have not identified any significant risks of misstatement of the group financial statements, however the following balance is expected to be material to the group: • Land assets	Specific scope procedures will be completed on the land asset valuation by Grant Thornton UK LLP.
Other entities as set out on page 4.	No, neither significant nor material	Analytical procedures at group level	None	Analytical review performed by Grant Thornton UK LLP.

Audit scope

- Audit of the financial information of the component using component materiality
- Specified audit procedures
- Analytical procedures at group level

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification
Presumed risk of fraud in revenue recognition ISA (UK) 240	Not applicable- risk rebutted	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition• opportunities to manipulate revenue recognition are very limited• the culture and ethical frameworks of local authorities, including Coventry Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for Coventry City Council.</p> <p>As set out on pages 7-8, there are no other individually significant components in the group, and therefore the risk is also rebutted for other group entities. Where revenues are material in other group entities, specified audit procedures will be carried out as set out on those pages.</p>
Risk of fraud related to expenditure recognition Public Audit Forum- Practice Note 10	Not applicable- risk rebutted	<p>Practice Note 10 states that as most public bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition.</p> <p>Having considered the expenditure streams of Coventry City Council, and on the same basis as that set out above for revenue, we have determined that there is no significant risk of material misstatement arising from improper expenditure recognition.</p> <p>As set out on pages 7-8, there are no other individually significant components in the group, and therefore the risk is also rebutted for other group entities. Where revenues are material in other group entities, specified audit procedures will be carried out as set out on those pages.</p>

Significant risks identified cont.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management override of controls ISA (UK) 240	Group and Council	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We have also considered the impact of Covid-19 on the risks of and opportunities for management override of controls and we are satisfied that opportunities have not been increased, although we will ensure that our audit work considers the accounting for unusual transaction streams such as Covid-19 grants and any new estimates or judgements around these.</p> <p>We therefore identified management override of control, in particular journals, consolidation adjustments, management estimates and transactions outside the normal course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • test consolidation adjustments made to arrive at group account balances • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions • test Covid-19 related grant income to ensure it has been accounted for appropriately, including consideration of any conditions or restrictions

Significant risks identified cont.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings and investment properties	Group and Council	<p>The Council revalues its land and buildings as a minimum on a rolling five-yearly basis with interim reviews. If the value of an asset class is projected to materially change during the period since the last valuation then further valuations are instructed.</p> <p>The Council also hold a range of investment properties which comprise of commercial units, office units, agricultural assets, residential and other assets. These assets are included in the balance sheet at fair value, and the Council revalues around 80% of its assets each year. The remaining assets not valued are subject to review to ensure that there has been no material changes. We have previously reported that to be compliant with the CIPFA Code, the Council should instead value 100% of assets at the balance sheet date.</p> <p>These valuations represent a significant estimate by management in the financial statements due to size of the balances involved (£485m land & buildings; £193m investment properties as at 31 March 2020), and the sensitivity of this estimate to changes in key assumptions.</p> <p>In addition, the Council has instructed an external valuation expert to conduct these valuations for 2020/21. Previously the Council has used internal valuation experts. Changes in valuers can mean changes in estimation technique and assumptions employed, and this adds further complexity to the audit of the valuations.</p> <p>Within the other group entities listed on pages 7-8, further material land and buildings are held. Under FRS 102, (the accounting basis on which the other group entities prepare their financial statements) these assets are held at depreciated historical cost. In preparation of the group accounts, the Council is therefore required to obtain a valuation compliant with the IFRS-based CIPFA Code, and make appropriate consolidation adjustments for the asset balance and revaluation movements.</p> <p>We therefore identified valuation of land, buildings, and investment properties, particularly revaluations and impairments, as a significant risk of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none">evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their workevaluate the competence, capabilities and objectivity of the valuation expertwrite to the valuer to confirm the basis on which the valuation was carried outchallenge the information and assumptions used by the valuer to assess completeness and consistency with our understandingengage our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council's valuer's reports and the assumptions that underpin the valuationstest revaluations made during the year to see if they have been input correctly into the Authority's asset registerevaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end

Significant risks identified cont.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Group and Council	<p>The pension fund net liability, as reflected in the balance sheets of both the Council and group as the “net defined benefit liability”, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the balance involved (£572.506m at 31 March 2020) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority’s pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluate the design of the associated controls • evaluate the instructions issued by management to their management expert (the actuary) for this estimate and the scope of the actuary’s work • assess the competence, capabilities and objectivity of the actuary who carried out the Authority’s pension fund valuation • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor’s expert) and performing any additional procedures suggested within the report • obtain assurances from the auditor of West Midlands Pension Fund (WMPF) as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the WMPF and the fund assets valuation in the WMPF financial statements.

Significant risks identified cont.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Accounting for the Group and Long Term Investments	Group and Council	<p>Over recent years, the Council has increased the number and value of interests it has in associated companies. In addition to the companies listed on pages 7-8 which are assessed as forming part of the Council's group, the Council also has a material interest in Birmingham Airport Holdings Limited.</p> <p>In its single-entity accounts, the Council has elected to report the value of these long term investments at the balance sheet date at Fair Value. This is allowable under the CIPFA Code, which permits either Fair Value accounting or historical cost accounting. The Fair Value method requires a valuation of each company at the balance sheet date. The Council instruct external experts to determine appropriate valuations.</p> <p>The valuation of long term investments is considered a significant estimate due to the size of the balance involved (£110.092m at 31 March 2020) and the sensitivity of the estimate to changes in key assumptions</p> <p>For the group accounts, the Council is required to assess the level of control or significant influence it has over its company interests and apply the appropriate accounting treatment. For companies where the Council has control, these are consolidated into the group accounts line-by-line; for entities where there is joint control or significant influence, the interest is accounted for using the equity method. The Council has both types of interest.</p> <p>Group accounting has further complexities where the accounting policies, accounting frameworks and year-end dates are different to those of the group. This is the case for the majority of the Council's interests. The Council must apply adjustments to the financial information reported by the group entities prior to inclusion in the group accounts.</p> <p>In addition to these issues, the audit of the 2019/20 accounts has not been finalised at the date of this report, due to audit findings in relation to the accounting for one of the Council's interests, that of the UK Battery Industrialisation Centre LTD.</p> <p>We therefore identified valuation of the Council's long term investments; and the accounting for the group as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none">update our understanding of the processes and controls put in place by management to ensure that the long term investment valuation and group accounting is not materially misstated and evaluate the design of the associated controlsevaluate the instructions issued by management to their management experts for this estimate and the scope of the experts' workassess the competence, capabilities and objectivity of the experts who carried out the valuationsassess the accuracy and completeness of the information provided by the Authority to the experts to estimate the fair valuesengage our own valuer to assess the instructions issued by the Council to their valuers, the scope of the Council's valuers' reports and the assumptions that underpin the valuationstest the consistency of the values and disclosures in the notes to the core financial statements with the valuation report from the expertsreview the Council's assessment of its group boundary, that is the entities included within the Council's group accountstest the consolidation adjustments made in producing the group accounts for completeness and accuracy

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 [revised]: Auditing Accounting Estimates and Related Disclosures which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

We identified several findings in our 2019/20 audit in relation to the Council's estimation processes for the:

- valuation of land and buildings;
- valuation of investment properties;
- valuation of long term investments;
- Accuracy of expenditure accruals;
- completeness of the debtors impairment allowance; and
- Accuracy of the business rates appeals provision.

Introduction

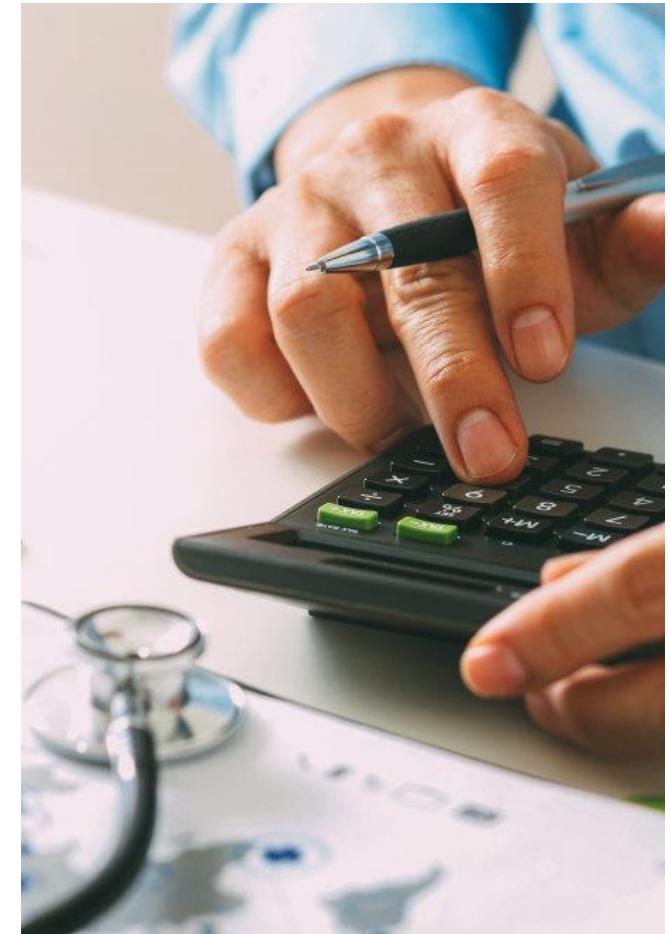
Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Procurement Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, and investment properties
- Depreciation, including assessment of useful lives
- Valuation of defined benefit net pension fund liabilities
- Valuation estimates for long term investments in subsidiaries; associates and joint ventures
- Credit loss and impairment allowances
- Accruals for income and expenditure
- Allocation of overheads across cost of services
- Provisions for liabilities
- Fair value estimates for financial instruments

The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 [Revised December 2018], auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- **What the assumptions and uncertainties are;**
- **How sensitive the assets and liabilities are to those assumptions, and why;**
- **The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and**
- **An explanation of any changes made to past assumptions if the uncertainty is unresolved.**

Planning enquiries

As part of our planning risk assessment procedures we have made a number of enquiries of management, which include general enquiries, fraud risk assessment questions, and going concern considerations. We have also made additional enquiries on your accounting estimates in a similar way.

Responses to these enquiries have been completed by management and are appended to this Audit Plan. These are to be considered by those charged with governance and discussed and agreed at the Audit and Procurement Committee meeting. These will be provided to the Audit and Procurement Committee as a separate paper.

Further information

Further details on the requirements of ISA (UK) 540 [Revised December 2018] can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2020/21 financial statements, consider and decide upon any objections received in relation to the 2020/21 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 has recently been updated to take account of revisions to ISAs (UK), including ISA (UK) 570 on going concern. The revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate. Applying such an approach should enable us to increase our focus on wider financial resilience (as part of our VfM work) and ensure that our work on going concern is proportionate for public sector bodies. We will review the Council's arrangements for securing financial sustainability as part of our Value for Money work and provide a commentary on this in our Auditor's Annual Report. We will also need to identify whether any material uncertainties in respect of going concern have been reported for the Council's subsidiaries, associates and joint ventures. If such a situation arises, we will consider our audit response for the group.

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £12.2m (PY £12.6m) for the group and £12.0m (PY £12.4m) for the Council, which equates to 1.5% of your gross expenditure in the prior year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £100k for senior officers' remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.6m (PY £0.6m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Procurement Committee to assist it in fulfilling its governance responsibilities.

Prior year gross operating costs

£813m Group

£797m Council



■ Prior year gross operating costs

■ Materiality

Materiality

£12.2m

group financial statements materiality (PY: £12.6m)

£12.0m

Council financial statements materiality (PY: £12.4m)

£0.6m

Misstatements reported to the Audit and Procurement Committee (PY: £0.6m)

Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary qualified / unqualified approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



Risks of significant VFM weaknesses cont.

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform.

Risks of significant weakness

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.



Governance arrangements for the Council's company interests

The Council's interest in associated companies has grown over the last few years, and there are indications this will continue to grow. The Council's portfolio now includes companies operating across different sectors including: commercial waste disposal, energy from waste, hotel and leisure, battery manufacture, airport services, and building development. As the parent (and joint parent) organisation, the Council needs to hold its companies to account, ensuring good governance arrangements are in place, with appropriate expertise and competence on each company board. Reporting and monitoring arrangements must allow the Council to have adequate oversight of company performance, and the Council needs to be assured of the design and operation of entity-level and group-wide controls.

We will review the governance arrangements the Council has in place over its group of companies, and consider the progress made by the Council in ensuring continuous improvement in its oversight of the group.



Council's company investment strategy

As described to the left, the Council has an increasingly diverse portfolio of subsidiaries, associates and joint ventures. The investment decisions made by the Council should form part of a formalised investment strategy, whereby parameters are set to minimise risks, whilst achieving strategic objectives and maximising returns.

The Covid-19 pandemic has impacted different sectors to varying degrees. Some of the Council's companies have been affected more than others, including the airport and hotel, and have required Council financial support. The Council must manage its exposure to risks within each sector.

We will review the arrangements the Council has in place to ensure value for money in its investment decisions, and consider the arrangements in place for identifying and managing risks.

Risks of significant VFM weaknesses cont.

We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

Audit logistics and team



Mark Stocks, Key Audit Partner

As your engagement lead, Mark will have the ultimate responsibility for the delivery of your audit service. He will lead your relationship with Grant Thornton and take overall responsibility for delivering a high quality audit, which meets the highest professional standards whilst adding value.



Zak Francis, Audit Manager

As the engagement manager, Zak is responsible for overseeing the delivery of our service and managing the audit process. He will work with officers and the audit team to ensure the smooth planning and delivery of the audit. He will oversee the audit team and discuss any issues with you during the audit process as well as any questions you may have throughout the year.



Zarak Zaman, Audit Incharge

Zarak will lead the on-site audit team and is responsible for the performance of the audit fieldwork and day-to-day liaison with the finance team. He will ensure that your audit is delivered effectively, efficiently and supportively, keeping the finance team abreast of any issues arising as and when they occur.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team dedicated to the audit. Similarly, where additional resources are needed to complete the audit due to an audited body not meeting their obligations, we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees

PSAA awarded a contract of audit for Coventry City Council to begin with effect from 2018/19. The fee agreed in the contract was £133,564. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2020/21 audit.

As referred to on page 19, the 2020/21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the previous 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach will be more challenging for audited bodies, involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years. Our estimate is that for your audit, this will result in an increased fee of £26,000 (19.5%). This is in line with increases we are proposing at all our local audits.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as noted in the number of revised ISA's issued by the FRC that are applicable to audits of financial statements commencing on or after 15 December 2019, as detailed in Appendix 1.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. We have engaged an audit expert to improve the level of assurance we require for property and long term investment valuation estimates, which has been included in our proposed audit fee. Our proposed work and fee for 2020/21, as set out below, is detailed overleaf and has been agreed with the Director of Finance and Corporate Services.

	Actual Fee 2018/19	Actual Fee 2019/20	Proposed fee 2020/21
Council Audit	£150,056	£198,000*	£211,414
Total audit fees (excluding VAT)	£150,056	£198,000*	£211,414

*Note the 2019/20 audit is not yet complete at the time of issuing this plan. The actual fee is subject to change, and requires PSAA approval.

Assumptions

In setting these fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis

Scale fee published by PSAA	£133,564
<i>Increases to scale fee first identified in 2019/20</i>	
Enhanced regulatory requirements in respect of public interest entity audits	£4,000
Raising the bar	£8,000
Enhanced audit procedures for Property, Plant and Equipment	£9,350
Enhanced audit procedures for Pensions	£3,500
Specialist valuation of long term investments	£5,000
Working with component auditors	£5,000
<i>New issues for 2020/21</i>	
Additional work on Value for Money (VfM) under new NAO Code	£26,000
Increased audit requirements of revised ISAs	£17,000
Total audit fees (excluding VAT)	£211,414

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams and component audit firms providing services to the Council.

Other services

Other services provided by Grant Thornton were identified as set out on the following page.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Independence and non-audit services cont.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of 2019/20 Teachers' Pensions return (October – November 2020)	£4,200	For these four audit-related services, we consider that the following perceived threats may apply:	The level of recurring fees taken on their own are not considered significant in comparison to the confirmed scale fee for the audit of total fee for the audit of £133,564 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, each service is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of 2019/20 Housing Benefits subsidy (June 2020 - April 2021)	£40,000		Our team has no involvement in the preparation of the form which is certified, and do not expect material misstatements in the financial statements to arise from the performance of the certification work. Although related income and expenditure is included within the financial statements, the work required in respect of certification is separate from the work required to audit the financial statements.
DWP extended work in relation to Housing Benefits Certification 2018/19 – Module X (July 2020 – April 2021)	£5,000	<ul style="list-style-type: none"> • Self- Interest (because these are recurring fees) • Self Review • Management 	The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. Our team perform these engagements in line with set instructions and reporting frameworks. Any amendments made as a result of our work are the responsibility of informed management.
Certification of 2020/21 Innovate UK Grant Claims (April 2021)	£6,000		
Non-audit related			
None identified			

We have also carried out grant certification services on behalf of GT France in respect to EU funding for UIA grant received for the Council in 2017/18. This certification was requested and paid for by UIA for a cost of 9,600 Euros. (April 2020)

Appendix 1: Revised Auditor Standards and application guidance

FRC revisions to Auditor Standards and associated application guidance

The following Auditing Standards and associated application guidance that were applicable to 19/20 audits, have been revised or updated by the FRC, with additional requirements for auditors for implementation in 2020/21 audits and beyond.

	Date of revision	Application to 2020/21 Audits
ISQC (UK) 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Service Engagements	November 2019	<input checked="" type="checkbox"/>
ISA (UK) 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)	January 2020	<input checked="" type="checkbox"/>
ISA (UK) 220 – Quality Control for an Audit of Financial Statements	November 2019	<input checked="" type="checkbox"/>
ISA (UK) 230 – Audit Documentation	January 2020	<input checked="" type="checkbox"/>
ISA (UK) 240 – The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements	January 2020	<input checked="" type="checkbox"/>
ISA (UK) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements	November 2019	<input checked="" type="checkbox"/>
ISA (UK) 250 Section B – The Auditor’s Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector	November 2019	<input checked="" type="checkbox"/>

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 260 – Communication With Those Charged With Governance	January 2020	✓
ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment	July 2020	✓
ISA (UK) 500 – Audit Evidence	January 2020	✓
ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures	December 2018	✓
ISA (UK) 570 – Going Concern	September 2019	✓
ISA (UK) 580 – Written Representations	January 2020	✓
ISA (UK) 600 - Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	November 2019	✓
ISA (UK) 620 – Using the Work of an Auditor’s Expert	November 2019	✓
ISA (UK) 700 – Forming an Opinion and Reporting on Financial Statements	January 2020	✓

Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 701 – Communicating Key Audit Matters in the Independent Auditor’s Report	January 2020	
ISA (UK) 720 – The Auditor’s Responsibilities Relating to Other Information	November 2019	
Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom	December 2020	

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Informing the Audit Risk Assessment for Coventry City Council 2020/21

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Coventry City Council's external auditors and Coventry City Council's Audit & Procurement Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit & Procurement Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit & Procurement Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit & Procurement Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit & Procurement Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit & Procurement Committee and supports the Audit & Procurement Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Authority's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Coventry City Council's management. The Audit & Procurement Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
P Q 54 1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?	COVID-19 has had a massive impact on the Council both operationally and financially with Covid Grant funding and Business Rate reliefs for Coventry totalling more than £200m. The Council continues to support a range of major projects in the city as part of a Capital Programme that is very large in a historical context. Valuation of the Council's property asset portfolio and pension liability will continue to be areas that are most subject to significant volatility.
2. Have you considered the appropriateness of the accounting policies adopted by Coventry City Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	We are not aware of any events or transactions at this stage that will lead to any changes to or adoption of new accounting policies. This will be kept under review during the final accounts process.
3. Is there any use of financial instruments, including derivatives?	There is no use of financial derivative instruments.

General Enquiries of Management

Question	Management response
4. Are you aware of any significant transaction outside the normal course of business?	<p>The scale and nature of the Covid related activity was overwhelmingly outside of the normal course of business, providing an emergency operational response and supporting businesses and individuals via a range of reliefs, grants and in-kind support. In addition, the Council undertook loans to Coombe Abbey Park Ltd (to provide cashflow support) and Coventry and Warwickshire Reinvestment Trust (to facilitate it making onward loans to support businesses).</p> <p>The Council is increasing the extent of the activity that it undertakes through companies which it owns in part or on a 100% basis. Sherbourne Recycling Ltd (the company which will operate the Materials Recycling Facility in the city) came into the Council's part-ownership on 1st April 2021.</p>
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	An annual impairment review of the Council's property assets is undertaken as a matter of course. The report of the external valuer has been received and will result in a number of impairment adjustments accordingly.
6. Are you aware of any guarantee contracts?	The Council provides pension guarantees to a number of organisations and is a guarantor for the UK City of Culture 2021.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	The 2019/20 accounts reported contingent liabilities for a potential of grant clawback on the Friargate Bridgedeck and a Business Rates relief claim. Other than these we are not aware of any significant contingencies or claims that are likely to affect the financial statements.

General Enquiries of Management

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Question	Management response
8. Other than in house solicitors, can you provide details of those solicitors utilised by Coventry City Council during the year. Please indicate where they are working on open litigation or contingencies from prior years.	A transaction listing detailing our use of external legal support has been provided. No solicitors have been used on litigation which would have a significant impact on the Council's financial position.
9. Have any of Coventry City Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	The Materials Recycling Facilities Project has received external advice, the Council's share of which equates to a cost of £354,000. Other professional advice has been procured in relation to City Centre South (£328k), Very Light Rail £297k, Friargate (£197k) and the Collection Centre (£92k).

Fraud

Issue

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit & Procurement Committee and management. Management, with the oversight of the Audit & Procurement Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit & Procurement Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Coventry City Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- ~~and~~ communication with the Audit & Procurement Committee regarding its processes for identifying and responding to risks of fraud, and
- ~~and~~ communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit & Procurement Committee oversees the above processes. We are also required to make inquiries of both management and the Audit & Procurement Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Coventry City Council's management.

Fraud risk assessment

Question	Management response
<p>Page 8</p> <p>1. Has Coventry City Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Authority's risk management processes link to financial reporting?</p>	<p>The authority's assessment is that this risk of material misstatement is low.</p> <p>The quarterly monitoring of service revenue and capital budgets, financial outturn results and the subsequent financial statements should identify any material misstatements, including where this could be due to fraud.</p> <p>These processes are key components of the annual financial cycle and as such are carried out as part of business as usual. In addition the financial statements are subject to internal quality assurance control checks including analytical reviews with the objective of identifying any significant year on year variances.</p> <p>Further risk assessment processes related to the preparation of accounts will be completed based upon any audit issues raised by both Internal and External Audit.</p>
2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	See above, the risk of fraud within the financial statements is considered to be low.
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Coventry City Council as a whole or within specific departments since 1 April 2020? As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	<p>All concerns regarding fraud should be reported to the Chief Internal Auditor and defined processes are in place deal with any concerns raised. Since 1st April 2020 two concerns have been raised which could have implications on the financial statements. One concern has been subject to a formal report to Audit and Procurement Committee and action has been taken to reverse the transactions and ensure the accuracy of financial reporting. The other concern relates to a potential discrepancy in relation to cash administered via the self service kiosks at Broadgate House. At the current time this is still being investigated. Neither of these cases are material. In cases where fraud / error is identified through the work of Internal Audit as a result of third party actions (i.e the wider public) action is taken amend customer accounts / raise overpayments and recover monies wherever possible. This includes fraud / error in the Covid-19 business grant schemes which the Council have administered.</p> <p>The Council's corporate risk register is subject to regular review and is reported to the Audit and Procurement Committee. The Committee also receives a half yearly report on anti fraud and corruption activity.</p>

Fraud risk assessment

Question	Management response
4. Have you identified any specific fraud risks?	A fraud risk register is maintained by Internal Audit and specific fraud risk assessments are undertaken where appropriate. There are specific fraud risks in relation to covid-19 business grant funding. These grant schemes are subject to individual risk assessments and pre and post payment assurance checks. The risk of fraud in relation to this does not impact on the integrity of the financial statements.
Do you have any concerns there are areas that are at risk of fraud?	Most risks around fraud relate to actions undertaken by third parties (i.e the wider public) to commit fraud against the Council. The risk of fraud in relation to financial reporting is assessed as low.
Are there particular locations within Coventry City Council where fraud is more likely to occur? 5. What processes does Coventry City Council have in place to identify and respond to risks of fraud?	The work of Internal Audit focuses on four areas: Council Tax, the National Fraud Initiative, referrals and investigations considered through the Council's Fraud and Corruption Strategy and proactive work. In addition to this, a fraud risk register is maintained by Internal Audit and specific fraud risk assessments are undertaken where appropriate. This includes work undertaken to identify and respond to the risk of fraud in Covid-19 business grant schemes.

Fraud risk assessment

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Question	Management response
<p>6. How do you assess the overall control environment for Coventry City Council, including:</p> <ul style="list-style-type: none">• the existence of internal controls, including segregation of duties; and• the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective, where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>The Internal Audit Annual Report details the process for reviewing the effectiveness of the system of internal control and the results of this review. The last formal assessment of the Council's control environment was for the financial year 2019-20. The Chief Internal Auditor's opinion was that moderate assurance could be provided that there is generally a sound system of internal control in place. This means that there is generally an appropriate level of control for managing the majority of the significant inherent risks to the Council's objectives to a reasonable level. During 2020-21, there have been a small number of areas where controls have been adapted as a result of covid-19. However, these changes have not undermined the effectiveness of the control environment and nothing has come to light in 2020-21 to materially impact on this opinion.</p> <p>No risk areas have been identified in relation to the financial statements.</p> <p>Roles and responsibilities in relation to systems of control are defined in various places such as the Constitution and Contract Procedure Rules and are enforced as far as practicable through ICT system controls and monitoring. This includes controls enforced through the Agresso system, which limits the potential for override of controls over the financial reporting process. Service area controls , e.g segregation of duties of officers to mitigate fraud are in place to support the Councils Fraud and Corruption Strategy and Whistleblowing Policy.</p>
7. Are there any areas where there is potential for misreporting?	None known.

Fraud risk assessment

Question	Management response
<p>8. How does Coventry City Council communicate and encourage ethical behaviours and business processes of its staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>The Council has a Code of Conduct which sets out the expected behaviours of its staff. In addition, all staff and agency workers are required to undergo an induction process. Contracts include terms and conditions around the behaviours etc of contractors. Policies linked to ethical behaviour and business processes are available on the Council's Intranet site and highlighted in the Managers Talk monthly emails.</p> <p>The Council has a Fraud and corruption Strategy, a Whistleblowing Policy and an e-learning fraud awareness tool in place. Other mechanisms are also used to encourage staff to report concerns, including the Finance and Audit school newsletter and face to face fraud awareness sessions. Staff are expected to raise all concerns about fraud with the Chief Internal Auditor. In 2020/21 to date, one significant fraud has been identified which has been subject to a formal report to Audit and Procurement Committee. This has not materially impacted on the accuracy of the financial statements. One issue relating to a cash discrepancy is being investigated but is not of material value in relation to the financial statements.</p>
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Any postholder with responsibilities for handling income, particularly cash, or who have budget holder responsibilities could be considered to be high-risk. However, levels of cash income are not significant and appropriate checks and balances are in place, including budget monitoring, scheme of delegation and segregation of duties, which are also enforced through the Agresso system.</p>

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Fraud risk assessment

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Question	Management response
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>Most of the related party transactions that could give rise to potential fraud are those in which Councillors have a direct interest. Risks are mitigated by Councillor's declaration of interests and non-participation in debates.</p> <p>All postholders grade 9 and above are required to complete an annual declaration of interests and provide details of how any potential conflicts of interests are managed.</p> <p>In addition, the Council receives and reviews data matches via the National Fraud Initiative linked to this area of risk.</p>
<p>11. What arrangements are in place to report fraud issues and risks to the Audit & Procurement Committee?</p> <p>How does the Audit & Procurement Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>The Audit and Procurement Committee receive half yearly reports on anti fraud and corruption activity.</p> <p>The Committee also receive quarterly Internal Audit progress reports which provides details of key audits undertaken. Where appropriate this would include issues relating to management processes for mitigating the risk of fraud and internal control issues.</p> <p>The Chief Internal Auditor's annual audit opinion on the adequacy and effectiveness of the internal control environment also highlights any significant control issues to the Committee.</p> <p>In 2020-21, details of actions taken by Internal Audit in-conjunction with service areas to manage the risk of fraud in covid-19 business grant schemes have also been provided to the Committee .</p>

Fraud risk assessment

Question	Management response
12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	The Council has a Whistleblowing Policy and a defined process in place to deal with concerns raised by whistle blowers. In 2020/21, four complaints linked to potential fraud have been raised. None of the cases were substantiated. None of the complaints relates to misstatement within the financial statements / financial reporting due to fraud.
13. Have any reports been made under the Bribery Act?	Two of the complaints referred to in Q12 above related to potential bribery offences. Both related to minor incidents linked to operational activity in service areas and were not substantiated.

Law and regulations

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Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit & Procurement Committee, is responsible for ensuring that Coventry City Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit & Procurement Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Coventry City Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Authority's regulatory environment that may have a significant impact on the Authority's financial statements?</p>	<p>Service managers are responsible for ensuring that laws and regulations relevant to their services are observed including any changes to the regulatory environment. The Monitoring Officer and the Council's legal team advise the Council's leadership, councillors and departments on changes to the legal and regulatory environment that impact on the Council. The Council also operates a range of supporting mechanisms including management teams, internal audit and the Corporate Governance Group. We are not aware of any changes to the regulatory environment which will have a significant impact on the Council's financial statements. As part of the annual review of effectiveness which underpins the Annual Governance Statement, all Directors are asked to complete a statement of assurance. This includes confirming that there have been no significant breaches of laws and regulations within their service areas in the past year.</p>
<p>2. How is the Audit & Procurement Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The Annual Governance Statement presented to the Committee provides assurance that arrangements are in place for facilitating effective exercise of the Council's functions. This includes ensuring that its business is conducted in accordance with the law and proper standards.</p>

Impact of laws and regulations

P Question	Management response
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an ongoing impact on the 2020/21 financial statements?	No.
4. Is there any actual or potential litigation or claims that would affect the financial statements?	No.
5. What arrangements does Coventry City Council have in place to identify, evaluate and account for litigation or claims?	A consultation is undertaken with the Director of Legal and Governance (the Council's Monitoring Officer) to identify any significant litigation claims at the year end.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	There have been no reports of non-compliance from regulatory bodies.

Related Parties

Issue

Matters in relation to Related Parties

Coventry City Council is required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by Coventry City Council;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Authority, or of any entity that is a related party of the Authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Authority must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

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Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Coventry City Council's 2019/20 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none">the nature of the relationship between these related parties and Coventry City Councilwhether Coventry City Council has entered into or plans to enter into any transactions with these related partiesthe type and purpose of these transactions	<p>Any new related parties will be identified through the preparation of the Council's year-end accounts. No changes have been identified at this stage.</p>
<p>2. What controls does Coventry City Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Related party transactions and relationships are reported within the statutory accounting process through analysis of existing disclosure records and a process to collect information on these relationships. Controls include an annual exercise whereby all postholders grade 9 and above are required to declare any interests they hold including relationships to related parties.</p>

Related Parties

Question	Management response
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	Transactions with related parties are subject to the same authorisation and approval arrangements as other transactions including controls enforced through the Agresso system and the observance of the segregation of duties of officers. Significant changes to arrangements with related parties will be reported through the Council's political management processes as appropriate.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	All transactions including any outside the normal course of business are subject to the same authorisation and approval arrangements including controls enforced through the Agresso system and the observance of the segregation of duties of officers. All business will be expected to be within Council policy and any new business will be subject to a formal decision through political management arrangements

Accounting estimates

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Issue
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Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit & Procurement Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit & Procurement Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	The need for material accounting estimates is considered for property asset valuations, pensions assets and liabilities values, the fair value of long-term investments and provision for credit losses and impairment allowances and provision for other liabilities.
2. How does the Authority's risk management process identify and addresses risks relating to accounting estimates?	Each area is subject to robust scrutiny as part of the closedown process informed by input from external professional experts where appropriate and using evidence based approaches to assess the estimation basis. This is set out in detail in the separate response requested.
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Each area has a clear set of base information and/or accounting records including a significant degree of historical data where relevant. They will have established calculation bases which are reviewed and refined in response to external challenge (e.g. from the external auditor) or changing circumstances (e.g. the Covid pandemic).
4. How does management review the outcomes of previous accounting estimates?	Accounting estimates will be reviewed as the natural course of some of these estimates where historical data/performance provides the starting point of estimation. Other areas of estimation are subject to valuation from first principles each year.
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	The Council has engaged external valuation expertise in relation to long-term investments and property valuations to increase the degree of independent challenge. The impact of COVID-19 will be a significant factor in estimation processes although no processes have changed specifically in response to the pandemic.

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates? Page 72	Differentiation has been made between where external expert knowledge and access to wider market data is required to make an accounting estimate and where in-house expertise and experience can be reasonably applied. There is a value for money consideration in respect of the likely value and variability of accounting estimates and the cost of procuring external advice.
7. How does the Authority determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	There is a degree of reliance on the work of externally procured experts although all accounting estimated will be subject to a test of reasonableness. Actuarial and property valuation experts work within industry wide standards which provide a high degree of quality assurance.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	External experts provide comprehensive reports detailing the basis and output of their work which provides management the facility to understand and challenge accounting estimates.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none">- Management's process for making significant accounting estimates- The methods and models used- The resultant accounting estimates included in the financial statements.	Areas of significant accounting estimates are clearly flagged in the financial reporting process to the Council's Audit and Procurement Committee through the note on 'Significant Assumptions made in estimating Assets and Liabilities'. Areas of volatility and those deemed to be of significant interest (by value or nature) will be given particular prominence in the presentation to Committee.

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Is management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?	The Covid pandemic has changed the conditions under which many significant accounting estimates are undertaken and which may require significant judgement. The detailed exercise in each area will determine the degree to which such judgement is required.
11. Are the management arrangements for the accounting estimates reasonable?	Yes, detailed arrangements are in place.
12. How is the Audit & Procurement Committee provided with assurance that the arrangements for accounting estimates are adequate ?	See question 9. The Audit and Procurement Committee are informed of the arrangements in place for areas that are subject to significant accounting estimates.

Valuation estimates for Other Land & Buildings; Investment Properties; (and if material: Surplus Assets and Assets Held for Sale)

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	The valuation estimate has been provided in the form of a report by an independent expert valuer in accordance with RICS approved methodologies. The overall valuation has not been judged to be subject to material valuation uncertainty although the valuation of specific trading related assets/sectors such as car parks has remained subject to that classification.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	The methods used are in line with RICS approved approaches. Where land values have been used to inform valuations, the valuation approach for 2020/21 has changed from using information specific to particular areas within the city to one that uses values gained across the city as a whole. The former method made it more difficult to gain up to date information in all cases due to a lack of relevant transactions.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	Assumptions used are in line with RICS approved approaches. The only key change to assumptions is that the material valuation uncertainty applied as a global factor in 2019/20 is now restricted to one specific area of the portfolio.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	The source data is taken from the Council's property records. No changes to the source of the data were made for 2020/21.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Yes, expert valuation advice was taken from Wilks Head and Eve who were appointed through a competitive tender process.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Whilst significant reliance is placed on the work of the valuer, the results have been critically challenged by officers within the Property and Finance functions based on significant historical involvement in providing equivalent valuations.
7. In management's opinion, are there adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	In our opinion there are adequate controls in place. The appointment of an expert valuer working to industry standard guidelines provides significant assurance which is backed up by the challenge provided by City Council officers.
8. Were any changes made to the key control activities this year? If so please provide details.	This is the first year that an external valuation has been sought.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	The Council is advised of estimates on several elements within the external valuation report and will rely heavily on the advice of the valuer. Council officers review the report for reasonableness and can challenge and discuss any

	points of interest including any significant differences to previous valuation results.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Subject to the challenge and discussion referred to above, the valuations contained within the RICs compliant valuation report will be used as discrete figures rather than the starting point to explore a range of possible outcomes.

Valuation estimate for depreciation, including assessment of useful lives

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	No
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	The methods and models used are in line with the Accounting Code of Practice and industry best practice. There have been no changes to these methods or models during 2020/21.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	Depreciation is provided on all assets with a determinable finite life by allocating the value of the asset over the periods expected to benefit from their use. Exceptions to the application of depreciation are made for assets for which there is no determinable finite life (e.g. land). There have been no changes to these assumptions during 2020/21.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	The source data relates to asset values held on the balance sheet. There have been no changes to the nature of the source data selected during 2020/21.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	For Operational Properties the Asset Lives are assessed and updated by an Internal Property Surveyor who has extensive knowledge of our properties and the current condition of these. For Infrastructure Assets we take advice from our Highways team as to the standard UEL and they are guided by current industry advice.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Once an accurate set of base data has been established the accounting estimate is a relatively straightforward exercise.

7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Yes. Once an accurate set of base data has been established the accounting estimate is a relatively straightforward exercise.
8. Were any changes made to the key control activities this year? If so please provide details.	There were no changes to the key control activities during 2020/21.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	The calculation of depreciation itself is not subject to significant estimation uncertainty – significant changes in depreciation value are driven by changes to asset values.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	The calculation of depreciation is a relatively mechanistic exercise driven by changes to asset values and this is where consideration of sensitivity is focused.

Valuation estimate for the net defined benefit pensions liability

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	The accounting estimate has been provided in the form of a Pension accounting disclosure by an independent expert actuary in accordance with IAS19. No risks have been identified relating to the material accuracy of the report.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	The methods and models used will be ones used across a range of similar employers who are part of the West Midlands Pension Fund. We are not aware of any fundamental changes to methods or models for 2020/21.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	The assumptions are standard ones applied across similar employers within the Fund and these are set out in detail within the IAS19 report. These include changes with regard to life expectancy, discount rate, pension increases and salary increases. Changes are made in line with standard practice to update observed changes in conditions each year.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	The source data is selected by the actuary. We are not aware of any significant changes in the year.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	The estimates were produced by an independent expert actuary appointed through the West Midlands Pension Fund.

6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	There is significant reliance placed on the work of the actuary. The actuary is appointed through the West Midlands Pension Fund which in effect represents the interests of all of its employers in the fund as an intelligent client in terms of the relationship with the actuary.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	In our opinion there are adequate controls in place. The appointment of an expert actuary with a national presence and representation on our behalf by the West Midlands Pension Fund are fundamentally sound arrangements.
8. Were any changes made to the key control activities this year? If so please provide details.	None that we are aware of.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Considerable reliance is placed on the expertise of the external actuary and their judgement is relied upon to select the precise estimates to use.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Sensitivity analysis is provided by the actuary and published within the financial statements showing plus/minus 0.1% swings in the key assumptions.

Valuation estimates for long term investments in subsidiaries; associates and joint ventures

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	Work to identify the value of these investments is underway but has not yet been completed. It is anticipated that any risks will be identified as part of this work. All of the material investments will be undertaken by or subject to advice from independent valuation experts.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	See above. All of the material investments will be undertaken by or subject to advice from independent valuation experts who will provide guidance on the model used. External valuations will be provided for the first time in relation to the Friargate JV, Tom White Waste limited and Coombe Abbey Park Limited.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	See above.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	See above.

5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	See above. Valuations in relation to Birmingham Airport and Coventry and Solihull Waste Disposal Company will be obtained on the council's behalf by Solihull Council. Valuations in relation to the Friargate JV, Tom White Waste Limited, Coombe Abbey Park Limited and UKBIC have been procured in line with the Council's procurement rules.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	The Council will place significant reliance on the work of the external experts but will seek to understand the logic of the valuations and discuss any aspect that does not match our expectations of current conditions.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	The appointment of external valuation experts provides additional comfort in the calculation of these estimates.
8. Were any changes made to the key control activities this year? If so please provide details.	See above.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Guidance on this will be provided by the external advisors and the expectation is that the point estimate will be within a reasonable range of possible outcomes. The results of this work do not have an impact on the Council's actual financial position and there is no external pressure influencing the outcome of the point estimate.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	See above. The work of the external valuation experts will be relied upon.

Expected credit losses and impairment allowances estimate

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	The Council's approach recognises the risk to recovering debts posed by the Covid pandemic. In addition the Council has taken decisions leading to a greater number and higher value of long-term debts. The risks and the need to impair any debts are being addressed by evidence based impairment assessments in each category of debt (Council Tax, Business Rates, short-term debts, long term debts, loans and lease arrangements).
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	Methods are tailored to each category. Mostly the approach will be guided by historical patterns. Other contextual information will be used (covenant strength, security arrangements) where appropriate for longer-term loans etc. There have been no fundamental changes in methods but changed observable patterns that have developed in 2020/21 will be taken into account.

<p>3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?</p>	<p>As far as possible any assumptions will reflect historical patterns plus further evidence gathered during the financial year in relation to more recent conditions. This will include the impact of Covid where there is a clear rationale for doing so.</p> <p>Detailed work on longer-term loans etc will include a range of assumptions which flex each financial year.</p>
<p>4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?</p>	<p>The source data is available from the relevant systems for monitoring Business Rates and Council Tax plus the financial ledger.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>No external support has been procured for this purpose.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>These activities are undertaken largely within the finance function so no monitoring of external work is required. The approach has been refreshed for 2020/21.</p>
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>The controls in place are assessed to be adequate. Approaches and calculations are subject to internal testing and challenge. The ultimate test lies in whether credit losses and impairments exceed provisions set aside. No major issues have been encountered in this regard.</p>
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	<p>No. Although some approaches have been revamped this hasn't affected the fundamental control environment.</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>We operate a series of evidence based assessments. These are conducted within a general tendency to err on the side of prudence (i.e. allowing for a greater than expected level of downside uncertainty).</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>The evidence based assessments on the whole population generally produce a modest range of outcomes in the financial statements. Any material credit losses or impairments that appear to be crystallising for a specific debt will be the subject of an equivalent provision.</p>

Accruals for income and expenditure

Question	Management response
<p>1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?</p>	<p>No specific risks have been identified.</p>

<p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?</p>	<p>Accruals should be evidence based with relatively limited scope for estimation uncertainty. The Council deploys a de minimis basis for excluding lower value accruals as time elapses beyond the year-end.</p>
<p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?</p>	<p>Accounting estimation plays little part in the Council's accruals approach. There have been no changes to assumptions.</p>
<p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so what was the reason for the change?</p>	<p>Accruals are all based on known transactions/events.</p>
<p>5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?</p>	<p>None used.</p>
<p>6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?</p>	<p>Not relevant.</p>
<p>7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?</p>	<p>Not relevant.</p>
<p>8. Were any changes made to the key control activities this year? If so please provide details.</p>	<p>No.</p>
<p>9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?</p>	<p>Not relevant.</p>
<p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p>	<p>Accruals are all based on known transactions/events and as such there will be little or no sensitivity to the methods used.</p>

Allocation of overheads across cost of services

Question	Management response
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1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	Overhead charges are set as part of budget setting therefore no in year changes or variances.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	Methods are selected depending on the nature of the service. Direct charges are applied where possible based on the level of service directly attributable to an area (e.g. Legal Services, ICT applications, Customer Services/Business Services and Corporate Communications). There were no changes for 2020/21.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	Overheads are allocated on a detailed basis subject to the most appropriate basis for each service charged out. There were no changes for 2020/21.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	Data is based on budgets. Service area budgets are set by end of December with overhead calculations then based on these budgets and calculated in January prior to the budgets being finalised for April. There were no changes for 2020/21.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	Only service area knowledge required – therefore for direct charges the service manager of the charging areas are liaised with to ensure the data is correct and up to date.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	These activities are undertaken largely within the finance function so no monitoring of external work is required.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	The controls in place are assessed to be adequate. Approaches and calculations are subject to internal testing and challenge.
8. Were any changes made to the key control activities this year? If so please provide details.	No fundamental changes.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Any estimation uncertainty will not result in material changes to allocations given that it is subject to a broadly stable evidence based approach.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	Any sensitivity is set within a relatively narrow parameters and therefore a narrow material range of outcomes in the financial statements.

Provisions for liabilities

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	There are risks relating to the provision for Business Rates (BR) appeals. This is an area with underlying volatility and one which is likely to be affected by revised assessment in the light of Covid.
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	The key BR provision is driven by a well-established method based on historical appeal trends. Insurance provisions are based on detailed analysis of the current insurance caseload and an assessment of the likelihood of loss in particular categories. No changes made to these methods or models in 2020/21.
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	Long-term BR patterns tend to stay within modest parameters and lend themselves to a presumption that they are broadly reasonable. The Government has moved to limit the use of material change of circumstances provisions to reduce BR liabilities in 2020/21. No changes have been made.
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	Source data is taken directly from the BR system and insurance caseload records. No changes were made for 2020/21.
5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	No external skills/knowledge were procured.
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	Analytical review is an automatic part of the process via comparison to prior year calculations.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	The controls in place are assessed to be adequate. Approaches and calculations are subject to internal testing and challenge.
8. Were any changes made to the key control activities this year? If so please provide details.	No.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Estimates are based partly on evidence based assessments of previous patterns plus assumptions about future trends. These are conducted within a general tendency to err on the side of prudence (i.e. allowing for a greater than expected level of downside uncertainty) but within what is considered to be a reasonable range of expectations.

10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	The historical patterns used as a point of reference help to provide a stabilising factor in the potential range of reasonably possible outcomes.
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Fair value measurements for financial instruments

Question	Management response
1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed?	<p>Debt – Fair Value (FV) estimates are based on well-established approaches in respect of PWLB and other debt, in the main by applying current comparable interest rates to arrive at the FV of fixed rate debt (City Council debt is almost exclusively fixed rate).</p> <p>Treasury Investments – where these are short term cash deposits the FV will not vary significantly from the nominal value. Pooled funds experience greater fluctuations in capital value. Market valuation statements are provided for each of these as at 31st March 2021, based on observable market data.</p> <p>Service Loans – where these are fixed rate, FV is based on comparable current interest rates.</p> <p>Shares – separate external valuations have been commissioned for material investments.</p>
2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?	<p>Most of the models are either industry standard or similar (e.g. FV of PWLB loans) or adapted to be applied to other financial instruments (e.g. service loans), based on common principles such as factoring in the impact of the movement in interest rates. Also, see 4 and 5 below re external treasury advice.</p> <p>The only area where any significant changes have been made is in the extent of external valuations in respect of share investments, although the principle of using such valuations is not new.</p>
3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?	<p>The main assumptions are based on the established market principle of the impact of the movement in interest rates on fixed interest instruments. The bulk of City Council financial instruments are fixed rate: PWLB on the debt side and, on the asset side, several service loans. Pooled treasury funds are based on observable market data as at 31st March 2021.</p>
4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change?	<p>The data source most relevant to the financial instrument is used e.g. in respect of PWLB, current PWLB rates are used. In respect of PFI liabilities an AA Corporate Bond Yield Curve (Bloomberg) is used. Where appropriate gilt rates are used.</p> <p>The City Council's treasury advisors, Arlingclose, provide advice in respect of FV estimates, including the use of the most appropriate interest rate.</p>

5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured?	<p>External valuations of significant City Council shareholdings are being undertaken by RSM.</p> <p>Arlingclose provide advice per 4 above. CCC periodically seeks tenders for treasury advice.</p>
6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts?	The Council will place significant reliance on the work of the external experts but will seek to understand the logic of the valuations and discuss any aspect that does not match our expectations of current conditions.
7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed?	Corporate finance staff review the output provided from external valuation exercises, for example for reasonableness and consistency.
8. Were any changes made to the key control activities this year? If so please provide details.	No.
9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use?	Where there is a significant impact, an assessment of reasonableness will be applied to any estimation uncertainty.
10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?	<p>Sensitivity analysis is explicitly built into several FV assessments, in some cases for inclusion in the statement of accounts e.g. in setting out the impact of a 1% variation in interest rates as part of the section on market risk in the Financial Instruments note.</p> <p>In financial management terms, uncertainties surrounding FV are managed through the Council's MTFS, for example in considering setting aside reserves to meet the potential impact of valuation uncertainties such as in respect of pooled investment funds and service loans.</p>

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Cabinet
Audit and Procurement Committee
Council

13th July 2021
26th July 2021
7th September 2021

Name of Cabinet Member:
Strategic Finance and Resources – Councillor R Brown

Director Approving Submission of the report:
Director of Finance

Ward(s) affected: All

Title:
Revenue and Capital Outturn 2020/21

Is this a key decision?

Yes -

The report deals with financial matters in excess of £1.0m including specific new recommendations to allocate resources within the outturn position.

Executive Summary:

This report outlines the final revenue and capital outturn position for 2020/21 and reviews treasury management activity and 2020/21 Prudential Indicators reported under the Prudential Code for Capital Finance.

The 2020/21 financial year has been one like no other, with organisational and financial impacts exceeding anything experienced previously during peacetime. Some of these impacts are unseen in consideration of the Council's outturn position – for instance Business Rates reliefs provided and business grants paid out through the year – but their scale has been staggering nonetheless. The purpose of this report is not to catalogue the changes to society and Council services through the year although where these have had a financial effect on the Council this will be outlined.

The overall financial position includes the following headline items:

- A balanced revenue position after a recommended **£9.2m** is set aside in reserves to enable the city's recovery from Covid, invest in the Council's key priorities and strengthen the Council's financial sustainability.
- Capital Programme expenditure of **£194.2m** which represents the second largest programme in the modern era.
- An increase in the level of available Council revenue reserves from £90m to **£123m** including Covid funding and the net underspend contribution.

Further detail includes:

- A net underspend of £8.5m within central budgets after adjusting for the impact of Covid resulting overwhelmingly from one-off circumstances and the application of resources to fund previously approved decisions.
- A revenue underspend of £3.4m within Housing and Homelessness due in large part to the number of households living in temporary accommodation being lower than anticipated.
- Identified income loss and expenditure related to the COVID-19 of £31m funded in-part by in-year Government emergency funding and sales fees and charges compensation grants provided for this purpose.
- A shortfall in this in-year Covid funding of £2.2m.

The underlying revenue position has improved by £8.7m since Quarter 3 when an underspend of £0.5m was forecast. In particular the overall underspend (before outturn reserve contributions) and the improved position relates to improvements within Contingency and Central budgets which are set out in the report. In overall terms the favourable outturn position shown must be put in the context of the Covid-19 crisis. The position is an indication of the prudent management of the Council's financial position but there are reasons to be cautious about the financial future of local government. These are explored more fully in the financial implications section of the report but can be seen in the uncertain future for local government finance nationally, the externalised and more volatile nature of some of the Council's financial relationships and the continued and potential legacy impacts of Covid. On this basis it is entirely appropriate for the Council to maintain a robust financial position and to retain control of its own financial destiny as far as it is able. This is important not just as an internal Council matter but connects directly to the Council's capacity to improve services for residents and invest in the city and its communities.

As indicated above the financial impact of Covid on the Outturn position has been estimated at £31m. This is not a definitive figure because in many cases the Covid impact is difficult to disentangle from other trends – for instance, how much of the large reduction in car parking income might have happened without the Covid pandemic. What is known is that Government funding provided through 2020/21 has covered a very significant proportion of the cost although this doesn't take account of the loss in Business Rates and Council Tax income calculated to have been suffered.

Further financial loss due to Covid has continued into the early months of 2021/22 at a much reduced rate compared with 2020/21 although it remains difficult to provide a reliable estimate of this. The Council has been able to carry forward into 2021/22 £7.55m of Covid resources set aside as part of the 2019/20 outturn position and has been allocated £11m out of the Government's emergency Covid funding for 2021/22. Other specific Covid grants have also been announced whilst a further opportunity is likely to be available to claim compensation for lost income in the first quarter of the year. On this basis there is a strong possibility that the Council will be able to manage the large majority of the financial Covid impact from Government resources over the medium term. Given that the Covid impact will extend into 2022/23 and that a tight funding settlement is anticipated from Government next year it is important that the Council continues to maintain a strong financial position to protect itself in what could be a very challenging financial environment. The recommended proposals, put forward by the Director of Finance - the Council's Section 151 officer - are reflected below and explained in section 5.1 of the report.

Recommendations:

Cabinet is recommended to approve:

- 1) The final revenue outturn position including reserve contributions of £9.2m available from the year-end revenue bottom line for the purposes described in Section 5.1 of the report.
- 2) The final capital expenditure and resourcing position (section 2.3 and Appendix 2 of the report), incorporating expenditure of £194.2m against a final budget of £226.9m; £32.5m expenditure rescheduled into 2021/22 and a net overspend £0.2m.
- 3) The outturn Prudential Indicators position in section 2.4.4 and Appendix 3 of the report.

Cabinet is requested to recommend to the Council:

- 4) Approval of reserve contribution of £9.2m available from the year-end revenue bottom line for the purposes described in Section 5.1 of the report.

Audit and Procurement Committee is recommended to:

- 1) Consider the contents of the report and determine whether there are any issues which it wants to refer to the Cabinet Member for Strategic Finance and Resources.

Council is recommended to:

- 1) Approve reserve contribution of £9.2m available from the year-end revenue bottom line for the purposes described in Section 5.1 of the report.

List of Appendices included:

Appendix 1 - Detailed breakdown of Directorate Revenue Variations
Appendix 2 - Capital Programme Changes and Analysis of Rescheduling
Appendix 3 - Prudential Indicators

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

Yes - Audit and Procurement Committee 26th July 2021

Will this report go to Council?

Yes – 7th September 2021

Report title: Revenue and Capital Outturn 2020/21

1. Context (or background)

- 1.1 This report sets out the Council's revenue and capital outturn position for 2020/21 and performance against its Prudential Indicators for the year. The City Council set a revenue budget for the year of £238.8m and a Capital Programme of £232.7m.
- 1.2 The reported figures show the Council's financial position in relation to management accounts used to monitor performance through the year. The Audit and Procurement Committee will consider separately the Council's statutory Statement of Accounts.

2. Options considered and recommended proposal

2.1 Revenue Outturn

- 2.1.1 Table 1 below summarises the outturn position, a balanced position after contributions to reserves recommended in this report of £9.2m. The final column reflects an assumption that the impact of Covid on individual services is funded by the Government grant available to the Council.

Table 1 Summary Outturn Position

Service Area	Revised Net Budget £m	Actual Spend £m	Less Covid Cost/ Income £m	Spend Over/ (Under) Budget £m
Adult Social Care	79.0	79.9	0.9	0.0
Business Investment & Culture	7.2	8.8	1.4	0.2
Children & Young People's Services	71.1	76.7	5.4	0.2
Contingency & Central Budgets	10.7	(23.7)	(25.9)	(8.5)
Directorate Management	1.4	1.4	0.0	0.0
Education and Inclusion	15.2	14.7	(0.4)	(0.1)
Finance	3.2	4.8	1.7	(0.1)
Housing and Transformation	14.6	14.1	3.0	(3.5)
Human Resources	1.3	1.3	0.1	(0.1)
Legal and Governance Services	3.6	4.9	0.7	0.6
Project Management & Property	(4.6)	(2.4)	2.2	0.0
Public Health	2.6	2.6	0.0	0.0
Streetscene and Regulatory	29.1	36.2	7.6	(0.5)
Transportation & Highways	4.4	10.3	5.7	0.2

Bottom Line Covid Adjustment			(2.2)	2.2
Contributions to Reserves	0.0	9.2		9.2
Sub-Total	238.4	238.4	0.0	*0.0

*The position is shown after reserve contributions recommended in this report amounting to £9.2m which reflects underspent budget across the Council's bottom line.

The quarter 3 position reflected an underspend of £0.5m. Prior to the recommended £9.2m contribution to the Reset and Recovery reserve the outturn position showed an additional favourable movement of £8.7m. This included:

- Contingency and Central Budgets - £5.6m favourable
- Housing and Transformation - £1.4m favourable

The reasons for these variations are included in the explanations of overall budgetary variations below.

2.1.2 Explanation of Variations

Contingency and Central (£8.5m Underspend)

This area was forecast to underspend by £2.9m at Quarter 3. The key reason for the favourable movement relates to £3.8m lower than forecast superannuation costs payable to the West Midlands Pension Fund. The Council's up-front payment of contributions covering 2020/21 to 2022/23 can be volatile depending on overall payroll costs over this period. The actual cost in 2020/21 is towards the low end of expectations compared with a prudent budget assumption.

A similar position has also arisen relating to income from the Coventry and Warwickshire Business Rates Pool for which the year-end position reflects income above budget of £1.6m. Significant uncertainties have been present in 2020/21 around the collection of Business Rates income during the pandemic and national uncertainties over potential business rating appeals being considered by the Valuation Office Agency. In the event, these circumstances have not prevented pooling income being delivered well above the Council's prudent budget estimate.

The net Asset Management Revenue Account position is an underspend of £3.0m. The overall favourable position includes higher than budgeted interest income on the Council's investments and lower than budgeted borrowing interest costs. Consistent with the 'Non-Covid Forecast Variation' in Table 1, the position excludes the impact of not receiving budgeted dividend income of £1.9m from Birmingham Airport and Coombe Abbey Park Limited (CAPL) as a result of Covid. Further dividend loss from these sources has been planned for within the 2021/22 Budget. The Council's re-financing of CAPL agreed by Council in March 2021 is designed to enable the company continue on a secure financial basis and to honour its future rent and loan repayment commitments to the Council.

Directorate - Covid-Related

Most of the outturn variations result from an assessment of the impact of COVID-19 across the City Council totalling c£31m although differentiating between Covid and non-Covid costs can only be an estimate. These variations stood at £34m at Quarter 3.

Children and Young People's Services has accounted for a significant amount of the overspend caused both by the total number and higher average unit cost of placements plus continued reliance on agency staff to manage the increase in caseloads. Contain Outbreak

Management Fund grant of £2.7m has been applied, leaving an overspend of £5.6m. Of this **£5.4m** is judged to be the result of Covid leaving a net overspend of £0.2m. The overall overspend has reduced from Quarter 3 due to placement numbers not increasing by as much as anticipated following the ending of the January lockdown. In addition an increased amount of the overspend has been judged to result from Covid conditions.

A significant proportion of Covid impacts relate to income which has not been achievable under lockdown or which may not be achievable in subsequent months whilst recovery takes place. This includes **£5.4m** in respect of significantly reduced car parking, bus gate and parking enforcement activity and **£1.8m** potential rent losses and associated pressures in respect of the Council's commercial property portfolio. Other lower but still significant Covid related income shortfalls have been reported in other service areas including land charges, court costs, planning, commercial waste, parks, the Outdoor Education Service and other school traded services.

Covid has also resulted in expenditure pressures across a range of other services including; waste disposal and safe working costs within Waste and Street Services of **£3.5m**, Personal Protective Equipment costs of **£1.7m**; Adult Social Care costs of **£1.6m**, provision of emergency mortuary capacity of **£1.3m**; and the impact on the cost of housing rough sleepers during lockdown and expected activity increase in housing of **£1.0m**.

Directorate - Non-Covid

The year-end position also includes a small number of variations which are separate from those attributable to Covid.

The non-Covid £3.5m underspend within Housing and Homelessness reflects a lower than anticipated number of households living in temporary accommodation. In part this has been the result of the Council's efforts to provide cheaper and more suitable temporary accommodation with additional robust management processes in place for contracts, voids, preventions and move-ons. It is likely that the continued Covid related evictions ban will have been helpful in this respect in 2020/21 and it will be important to monitor the degree to which the reduction in temporary accommodation numbers is sustained into the new financial year.

The £0.6m overspend within Legal and Governance Services reflects additional agency staff cost and the cost of external legal fees for care proceedings.

Covid-Related Grants

The Government has announced a range of grant funding allocations to manage the financial impact of COVID-19 and deliver services to mitigate or address the effects of the pandemic. The top two lines amounting to £28.8m have been applied to mitigate financial impacts described in Table 1. The remainder have been applied as specific grant which nets off the relevant expenditure within service areas.

Table 2: Covid Funding Allocations*

	2020/21 Grant Income In-Year
	£000
Emergency Funding**	(22,783)

Sales, Fees and Charges Income Loss	(6,024)
Contain Outbreak Management Fund	(3,198)
Hospital Discharge Scheme	(1,355)
Infection Control Fund (Round 1 and 2)	(1,381)
Community Testing (Lateral Flow Testing)	(1,346)
Catch-Up Premium	(1,089)
Covid Winter Grant Scheme	(1,010)
ASC Workforce Capacity Fund	(766)
Local Authority Test and Trace Service	(626)
Next Steps Accommodation Programme (CCC revenue element)	(533)
Coronavirus Job Retention Scheme	(503)
Community Champions Funding	(499)
Emergency Assistance Grant for Food & Essential Supplies	(479)
Clinically Extremely Vulnerable	(425)
Re-Opening High Streets Safely Fund	(285)
Compliance and Enforcement (Surge) Grant	(222)
Additional Dedicated Home to School and College Transport	(195)
Adult Social Care Rapid Testing Fund	(152)
Holiday Activities and Food Programme	(151)
Business Improvement Districts Support Funding	(21)
	(43,043)

* A further £8.3m has been received but is treated as receipts in advance in accounting terms and is not available to spend until grant conditions have been met. This includes £6.1m for the Contain Outbreak Management Fund.

**A further £7.55m was carried forward from 2019/20.

The table includes grant funding to fund the Council's expenditure on the Covid response or to compensate the Council for the financial impact on its expenditure and income in the delivery of services. A further £15m of funding has been received to fund locally determined support programmes for businesses and individuals including the Additional Restrictions Grant to businesses and the Council Tax Hardship Grant. It is envisaged that Scrutiny Board 1 will receive a report setting out more fully the financial impact of Covid on the Council within 2021/22.

2.2 Reserves

2.2.1 The Council's revenue reserve balance at the end of 2020/21 is £122m compared with £90m at the end of 2019/20. Balances generated from capital receipts and capital grants to fund future capital projects have decreased from £33m to £27m and reserve balances belonging to or earmarked to support schools have increased from £21m to £27m. The total reserve movement in 2020/21 is summarised in the table below.

Table 3 Summary of Reserve Movements in 2020/21

	1st April 2020 £000	(Increase)/ Decrease £000	31st March 2021 £000
Council Revenue Reserves			
General Fund Balance	(10,277)	0	(10,277)
Adult Social Care	(3,017)	(9,651)	(12,668)
Private Finance Initiatives	(9,467)	(1,527)	(10,994)
Early Retirement and Voluntary Redundancy	(9,323)	0	(9,323)
Potential Loss of Business Rates Income	(7,735)	0	(7,735)
Covid-19 Government Funding	(7,558)	0	(7,558)
Innovation and Development Fund	(5,549)	0	(5,649)
Reset and Recovery	(5,467)	0	(5,467)
City of Culture Readiness	(1,842)	(3,122)	(4,964)
Air Quality	(641)	(3,876)	(4,517)
Commercial Developments	(4,419)	0	(4,419)
Management of Capital	(5,564)	1,536	(4,028)
City of Culture	(4,000)	1,500	(2,500)
Insurance Fund	(721)	(1,327)	(2,048)
Public Health	(1,356)	(398)	(1,754)
Other Directorate	(11,187)	(3,962)	(15,149)
Other Corporate	(1,797)	(11,803)	(13,500)
Total Council Revenue Reserves	(89,920)	(32,630)	(122,550)
Extra-Ordinary Item - Covid Business Rates Relief	0	(48,302)	(48,302)

Council Capital Reserves			0
Useable Capital Receipts Reserve	(31,099)	6,363	(24,736)
Capital Grant Unapplied Account	(1,834)	6	(1,828)
Total Council Capital Reserves	(32,933)	6,369	(26,564)
<hr/>			
School Reserves			
Schools (specific to individual schools)	(18,007)	(4,289)	(22,296)
Schools (related to expenditure retained centrally)	(3,298)	(1,509)	(4,807)
Total Schools Reserves	(21,305)	(5,798)	(27,103)
Total Reserves	(144,158)	(80,361)	(224,519)

2.2.2 It should be noted that the Council's reserve balances include an extra-ordinary balance of £48m at the end of 2020/21. Government Covid Business Rates reliefs announced in 2020/21 had the effect of reducing the amount of Business Rates payable in-year causing a deficit within the Business Rates Collection Fund. Accounting rules mean that the corresponding grant (from Government) cannot be applied to the Collection Fund until 2021/22 and must be carried forward within General Fund reserves. This treatment will be common to all billing authorities across England. To ensure like for like comparisons this balance is treated as an extra-ordinary item here.

2.2.3 The main increases in the Council's revenue reserves stem from the £9m recommended as part of this report, £9m in relation to grant funding which will sustain the medium term Adult Social Care financial model, £4m to continue air quality measures across the city and £3m to complete the existing City of Culture city readiness programme.

2.2.4 In addition to these, the revenue reserve balances include £15m set aside as Funding For The Future approved within the recent Budget Report, £14m set aside as part of the Council's three long-term Private Finance Initiative models, £9m of Government Covid grant required to fund the financial impact of Covid in 2021/22, £9m set aside to fund costs arising from early retirement and redundancy decisions, £8m to provide protection against the potential future loss of Business Rates income and £4m of revenue to support future capital projects.

2.2.5 In line with recent practice, analysis of these balances will be undertaken as part of a wider exercise examining the Council's financial position in 2021/22 and going forward.

2.3 Capital Outturn

2.3.1 The capital outturn position for 2020/21 is shown in summary below and in greater detail in Appendix 2:

Table 4: Capital Outturn Summary

Final Budget £m	Final Spend £m	Net Rescheduling Now Reported £m	Under- spends £m	Total Variance £m
226.9	194.2	(32.5)	(0.2)	(32.7)

The quarter 3 monitoring report to Cabinet on 16th February 2021 approved a revised capital budget of £230.9m for 2020/21. Since then there has been a net programme decrease of c£4m giving a final budget for the year of £226.9m. Since February, a total of £32.5m net rescheduled spending has arisen within the capital programme. A scheme by scheme analysis is included in Appendix 2 and this is summarised in the table below.

Table 5: Summary of Rescheduling

Project	(Rescheduling) /Accelerated Spend £m	Explanations
Schools	(1.4)	This is primarily related to 3 live projects, due to delays in the tender process and access to site due to COVID pandemic has made it difficult to schedule in works.
ICT Programme	(0.4)	The rescheduling is largely in relation to projects not progressing as quickly as would have been expected primarily due to the impact of COVID both from a supplier point of view and capacity with them or from a Coventry City Council point of view in terms of shifting or changing priorities as a result of managing the pandemic
Sport and Leisure (alan Higgs and Indoor Bowls)	(0.4)	Alan Higgs £0.2m final retention payment due in 21/22 will see the end of the defects period and financial close. The indoor Bowls £0.2m has been delayed until September 21 due the completion of the leasing agreement
Whitley Depot Redevelopment	(0.8)	Update on cashflow to match the contractor predictions
UK Central & Connectivity	(5.7)	This covers two main element – Coventry South Package (CSP) and Coventry Very Light Rail (VLR). CSP while some slippage in year £3.5m the programme is still on target to complete in summer 2022. VLR has experienced delays in procurement due to COVID
City Centre South and Friargate	(3.0)	Some delays in the purchase of land and completion works has delay the City Centre South scheme; Friargate experiences some financial slippage with the JV shareholder and updated cashflow with the contractor for Building 2
Highways, Transport and Vehicles	(5.9)	Service Road treatments and Air Quality programme have been impacted by the restrictions due to COVID19 and government lockdown measures and factors outside the LA control. Swanswell Viaduct & Integrated Transport Block now on target to complete in September 2021.
Coventry Station Masterplan	(1.2)	The Network Rail fees for NUCKLE 1.2 have slipped in 2021/22 as the Council are awaiting the signed contract from Network Rail to enable invoicing to commence. Wider changes to the programme of the main works are now slipping into 2021/22 from originally planned
Getting Building Fund – 3 rd Party Projects	(1.7)	The projects within this programme have all been impacted by delays, primarily due to the pandemic, and initial financial forecasts which were set in early 2020/21
Acquisition Costs Temporary	(0.5)	Plans to purchase potential supported temporary accommodation in 2019/20 and 2020/21 did not go ahead as planned and a phase 3 programme is currently being drafted for future use of funds

Accommodation (Homeless)		
Battery Plant and Equipment	(3.3)	There have been delays in completion of the project due to the Covid-19 pandemic.
City of Culture	(1.9)	There have been a few delays due to the combination of COVID and Brexit which has meant some rescheduling of £3.1m, netted off by the inclusion of the acquisition of the Collection Centre in 2020/21 of £1.2m
Public Realm Phase 5 – City of Culture	(5.4)	The programme was effected by COVID 19 and lockdown measures, meaning that scheme completion has slipped into the first quarter of 2021-22.
Other	(1.0)	Smaller schemes
TOTAL	(32.5)	

Table 6: Over and Underspends in the Capital Programme

Project	Over/ (Under)spend	Explanations
Loop Line	(0.2)	Approval to award a loan facility in September 2018 has not been taken up.
Total	(0.2)	

2.3.2 The 2020/21 programme continued to maintain a significant investment in the city's transport and public infrastructure, its preparations for the City of Culture year, schemes demonstrating an increasing engagement with environmental initiatives and a range of other projects showing the Council's desire to make Coventry an attractive place to live, work and do business:

- £37m has been spent on transport and highways infrastructure across a range of both major and minor schemes. These included Whitley South infrastructure to support a proposed research and development campus and adjoining small and medium sized enterprises, works to advance the A46 link road, further research and development investment in Very Light Rail and schemes to improve and maintain the city's highways via the highways investment and Integrated Transport Block programmes.
- A further £32m has been invested in UK Battery Industrialisation Centre (UKBIC) in 2020/21 with a £18m loan from the WMCA having been drawn down in the year alongside the grant from Innovate UK which is funding the majority of the project. This new research facility on the outskirts of Coventry will play a key national role in the emerging battery industry and is now due to open shortly having suffered delay due to COVID19.
- Further programme spend of £30m has been made in 2020/21 on the Coventry Station Masterplan Plan which is fundamentally remodelling Coventry Rail Station. The new facilities have taken clear physical form over the course of the year and are due to become operational by December 2021.

- Public Realm works amounting to nearly £24m have been undertaken across the city centre which has been substantially remodelled to coincide with the City of Culture celebrations. These works have continued into the new financial year with most areas now being completed or approaching completion.
- There have been works totalling £17m across the schools property estate as part of the One Coventry Strategic Plan. There is an increasing focus now on providing additional capacity in secondary schools across the city to meet the growing numbers amongst the secondary intake.
- City of Culture capital programme spend of £15m has occurred in the year updating a range of Coventry's cultural capital assets, building a legacy for the city following the City of Culture year.
- External grants have been utilised to allow nearly £10m across a range of greener travel options including the cycle schemes, clean bus and electric vehicle technology and charging points.
- A range of smaller scale but significant schemes have advanced including the redevelopment of Whitley Depot and the initial development expenditure for the Material Recycling Facility which will begin emerge in the form of Sherbourne Recycling Limited in 2021/22.

2.3.3 The funding in respect of this capital expenditure of £194.2m is summarised in Table 7 below
The Programme has been resourced c80% from capital grants.

Table 7: Capital Funding

	Funding the Programme £m	Available Resources £m	Resources Carried Forward £m
Prudential Borrowing	24.4	24.4	0
Grants and Other Contributions	155.1	174.8	(19.7)
Revenue Contributions	5.3	5.3	0
Capital Receipts	7.4	32.1	(24.7)
Capital of Management Reserve	1.8	5.8	(4.0)
Private Finance Initiative (PFI)	0.2	0.2	0
Total Resourcing	194.2	242.6	48.4

2.4 Treasury Management Activity

2.4.1 The Base Interest Rate was maintained at 0.10% by the Bank of England throughout 2020/21. The medium-term outlook is increasingly weak. Whilst the strict initial lockdown measures put in place to protect against COVID-19 were eased, the second wave of infections over Winter 2020 prompted more restrictive measures on a regional and national basis. The current forecasts predict the base rate will remain at 0.10% until at least the first quarter of 2024.

Long Term (Capital) Borrowing

The Public Works Loan Board (PWLB) is the main source of loan finance for funding local authority capital investment. In November 2020 the rules governing local authority access to PWLB changed, as interest rates were reduced by 1%, making PWLB more competitive than was previously the case. However, with some limited exceptions, PWLB loans are no longer available to local authorities that plan to buy investment assets primarily for yield, such as property purchased for a financial return, where they are not clearly serving some other significant service objective. The restrictions apply even if an authority doesn't plan to fund the investment by borrowing and decides to use other resources, such as capital receipts. Under the Treasury Management Strategy 2021/22 approved by Cabinet on 23 February 2021 it was agreed the Council will not buy investment assets primarily for yield.

Taking into account the 1% reduction in PWLB rates referred to above, interest rates for local authority borrowing from the Public Works Loan Board (PWLB) for 2020/21 have varied within the following ranges:

Table 8: PWLB Interest Rates

PWLB Loan Duration (standard rates)	Minimum in 2020/21	Maximum in 2020/21	Average in 2020/21
5 year	0.92%	2.19%	1.70%
20 year	1.67%	3.00%	2.47%
50 year	1.52%	2.91%	2.34%

With short-term interest rates remaining much lower than long-term rates, it has been more cost effective in the short-term to either use internal resources or to use short-term borrowing instead. By doing so, the Council has reduced net borrowing costs (despite foregone investment income) and reduced overall treasury risk.

2.4.2 At outturn, the Capital Financing Requirement (CFR), which indicates the Council's underlying need to borrow for capital purposes, has increased by £9.6m:-

Table 9: 2021/22 Capital Financing Requirement (CFR)

	£m
Capital Financing Requirement at 1 st April 2020	493.6
Borrowing required to finance 2020/21 Capital Programme	24.4
PFI & Finance Leases liabilities	(2.4)
Donated Assets	0.0
Provision to Repay Debt (Minimum Revenue Provision)	(10.9)
Provision to Repay Debt (Capital Receipts Set Aside)	0.0
Repayment of Transferred Debt	(1.5)
Reduction of Provision and other restatements	0.0
Capital Financing Requirement at 1 st April 2021	503.2

During 2020/21 the Council undertook £18m of borrowing from the West Midlands Combined Authority (WMCA) as part of the funding package of the UK Battery Innovation Centre. The Council has no immediate plans to take any further new long-term borrowing, however, this will be kept under review. Within 2020/21, the movements in long-term borrowing and other liabilities were:-

Table 10: Long Term Liabilities (debt outstanding)

Source of Borrowing	Balance at 31st March 2020 £m	Repaid in Year £m	Raised in Year £m	Balance at 31st March 2021 £m
PWLB	190.4	0	0	190.4
Money Market	38.0	0	0	38.0
Stock Issue	12.0	0	0	12.0
West Midlands Combined Authority	0.0	0	18.0	18.0
Other	0.4	0	0	0.4
sub total ~ long term borrowing	240.8	0	18.0	258.8
Other Local Authority Debt	11.7	(1.6)	0	10.1
PFI & Finance Leasing Liabilities	65.2	(2.4)	0	62.8
Total	317.7	(4.0)	18.0	331.7

This long term borrowing is repayable over the following periods:-

Table 11: Long Term Borrowing Maturity Profile (excluding PFI & transferred debt)

Period	Long Term Borrowing £m
Under 12 Months	10.4
1 – 2 years	12.7
2 – 5 years	43.0
5 – 10 years	9.0
Over 10 years	183.7
Total	258.8

In line with CIPFA Treasury Management Code requirements, Lenders Option, Borrowers Option Loans (LOBOs) with banks are included in the maturity profile based on the earliest date on which the lender can require repayment. The Council has £38m of such loans, £10m of which the lender can effectively require to be paid at annual intervals, and £28m at 5 yearly intervals.

Short-Term Borrowing and Investments

2.4.3 The Treasury Management Team acts on a daily basis to manage the City Council's day to day cash-flow, by borrowing or investing for short periods. By holding short term investments,

such as money in call accounts, authorities help ensure that they have an adequate source of liquid funds. A total of £89.0m of short-term borrowing was taken out during the year at an average interest rate of 0.86%, with £54m still outstanding at 31st March 2021. This borrowing was all taken out with other local authorities and was primarily required to facilitate an upfront payment of pension contributions at £97.8m. It was also used to manage short term cash flow shortages throughout the financial year. During the year the Council held significant short-term investments, as set out in Table 11. The average short-term investment rate in 2020/21 was 1%.

Table 12: In House Investments at 31st March 2021

	At 30 th June 2020 £m	At 30 th Sept 2020 £m	At 31 st Dec 2020 £m	At 31 st Mar 2021 £m
Banks and Building Societies	0.0	0.0	0.0	0.0
Local Authorities	0.0	5.0	5.0	0.0
Money Market Funds	37.0	67.8	35.0	15.0
Corporate Bonds	0.0	0.0	0.0	0.0
Registered Providers	10.0	10.0	10.0	10.0
Total	47.0	82.8	50.0	25.0

Pooled Investments

In addition to the above in-house investments, a mix of Collective Investment Schemes or “pooled funds” is used, where investment is in the form of sterling fund units and not specific individual investments with financial institutions or organisations. These funds are highly liquid, as cash can be withdrawn within two to four days, and short average duration of the intrinsic investments. These investments include Certificates of Deposits, Commercial Paper, Corporate Bonds, Floating Rate Notes, Call Account Deposits, Property and Equities. However, they are designed to be held for longer durations allowing any short term fluctuations in return due to volatility to be smoothed out.

In order to manage credit risk these investments are spread across a number of funds as highlighted in the table below:

Table 13: External, Pooled Investments as at 31st March 2021

	Date Invested	Cost £m	Value £m	Annualised Return from Investment %
CCLA LAMIT Property Fund	Nov 2013	12.0	12.05	4.67%
M&G Optimal Income Fund	Aug 2018	1.5	1.54	2.93%
M&G Strategic Corporate Bond Fund	Aug 2018	3.0	3.09	3.44%
M&G UK Income Distribution Fund	Aug 2018	3.0	2.75	4.27%
Investec Diversified Income Fund	Aug 2018	4.5	4.45	3.93%
Schroder Income Maximiser	Aug 2018	4.5	3.42	6.13%

Threadneedle Strategic Bond Fund	Aug 2018	1.5	1.59	2.75%
Total		30.0	28.89	4.52%

Credit risk remains central to local authority investment management and the Council's risk is managed in line with the Treasury Management Strategy, approved by Cabinet as part of the budget setting report at the meeting of 23 February 2021. Central to this is the assessment of credit quality based on a number of factors including credit ratings, credit default swaps (insurance cost) and sovereign support mechanisms. Limits are set to manage exposure to individual institutions or groups. Credit ratings are obtained and monitored by the Council's treasury advisors, Arlingclose. Whilst the fears of systemic banking failures may have receded, the development of "bail-in" make it almost certain that unsecured and corporate investors would suffer losses in the event of a bank default.

In 2020/21, the pooled investments saw a recovery in value following an initial sharp drop felt at the end of 2019/20 due to the Covid pandemic. As at 31st March 2021 the accumulated deficit on these pooled funds is £1.1m (£3.2m at the end of 2019/20). There remains an expectation that the full value will be recovered over the medium term - the period over which this type of investment should always be managed. Current accounting rules allow these 'losses' to be held on the Council's balance sheet and not counted as a revenue loss although this is due to change in April 2023. These investments will continue to be monitored closely. The annualised return %s shown in the table above refer to an income return from the date of the initial investment that has continued to be received from these investments despite the drop in capital value.

Summary Prudential Indicators

2.4.4 The Local Government Act 2003 and associated CIPFA Prudential and Treasury Management Codes set the framework for the local government capital finance system. Authorities are able to borrow whatever sums they see fit to support their capital programmes, subject to them being able to afford the revenue costs. The framework requires that authorities set and monitor against a number of prudential and treasury indicators relating to capital, treasury management and revenue issues. These indicators are designed to ensure that borrowing entered into for capital purposes was affordable, sustainable and prudent. The purpose of the indicators is to support decision making and financial management, rather than illustrate comparative performance.

The indicators, together with explanatory notes and the relevant figures are included in **Appendix 3**. This highlights that the Council's activities are within the amounts set as Performance Indicators for 2020/21. Specific points to note on the ratios are:

- The Upper Limit on Variable Interest Rate Exposures (indicator 9) sets a maximum amount of net borrowing (borrowing less investments) that can be at variable interest rates. At 31st March 2021 the value is -£47.8m (minus) compared to +£87.9m within the Treasury Management Strategy, reflecting the fact that the Council has more variable rate investments than variable rate borrowings at the current time.
- The Upper Limit on Fixed Interest Rate Exposures (indicator 9) sets a maximum amount of net borrowing (borrowing less investments) that can be at fixed interest rates. At 31st March 2021 the value is £292.3m compared to £439.5m within the Treasury Management Strategy, reflecting that a significant proportion of the Council's investment balance is at a fixed interest rate.

2.4.5 Commercial Investment Strategy

The Council's Commercial Investment strategy is designed to ensure there are strong risk management arrangements and that the level of commercial investments held in the form of shares, commercial property and loans to external organisations, is proportionate to the size of the Council. In doing this the strategy includes specific limits for the total cumulative investment through loans and shares.

During 2020/21 commercial investment through the Council's capital programme was limited to property investment within the city totalling £1.6m.

As at the end of 2020/21, the council had cumulatively invested £86m in commercial assets against a total limit of £103m. Within this, £34.4m has been invested as loans (2020/21 strategy limit £53m) and £51.6m as shares (2020/21 strategy limit £50m). The amount invested in shares is higher than the limit due to the reclassification of the Council's £18m loan to UKBIC as a soft-loan (provided at below market rate). Accounting requirements result in part of this amount being treated as an investment in shares rather than a loan and this has resulted in the level of loans exceeding limit approved within the Council's Commercial Investment Strategy (CIS). There are no other implications of this set of circumstances and in all other respects the Council's commercial investments reflect the position anticipated when the Strategy was set in February. The Council's CIS will be reviewed and reported on as part of 2021/22 in year monitoring.

The Council's investment in commercial assets is proportionate, with commercial income totalling £19.6m in 2020/21 (equivalent to c2.5% of the Council's gross spend in 2020/21) and commercial assets valued at £403m (24% of the Council's total asset base of c£1,662m). The level of commercial income was lower than in 2019/20 (£22.2m) due in the main to the impact of the pandemic on share dividends received.

3. Results of consultation undertaken

3.1 None

4. Timetable for implementing this decision

4.1 There is no implementation timetable as this is a financial monitoring report.

5. Comments from the Director of Finance and the Director of Law and Governance

5.1 Financial implications

The final revenue outturn picture for 2020/21 is balanced after proposed year-end contributions of £9m to reserve balances. Whilst this is a fundamentally favourable financial outturn position this must be set in the context of a unique set of circumstances which have been present through the year.

The continuing Covid-19 crisis has had a profound effect and continues to set the tone for the Council's financial approach. One measure of the societal and financial impact of Covid is that Government reliefs and grant funding to the city and the Council now exceed the level that would represent a whole year's net budget figure for the Council. Although in-year unring-fenced grant funding to cover the costs and income loss attributable to Covid has been assessed as falling short by £2m further funding exists in the form of Covid reserve balances set aside in 2019/20 and new grant funding announced for 2021/22. A good deal of activity and the uncertainty remain but within reasonable parameters it is estimated that

overall Government funding levels will be of a similar order of magnitude to the financial impact on the Council.

Through this period the Council has had to assess the wider Covid impact on the city and the need to support its citizens in a robust and proportionate manner. A self-assessed view is that the Council has done this prudently, targeting support at the areas that most need it and taking care not to commit resources in an unsustainable way. This has enabled a balance of resources to be maintained to provide the Council with a sound financial footing as it enters 2021/22 and during a period when the pandemic is once again seeing rising cases despite widespread vaccination coverage. Care has been taken to use maximum flexibility to best match specific Covid grants funding streams to costs incurred locally. This has minimised the amount that has been subject to claw-back and enabled more general grant resources to be held back as a flexible resource for future use.

The Council has sought to maintain a strong financial planning approach which has taken account of the risk of volatility across a range of budgets such as those in Children's and Housing services. Demand pressures have caused large financial overspends in these areas across recent years. For both areas there has been an assessment that Covid has been the cause of expenditure incurred in the year which has been offset by grant. In addition, non-Covid temporary accommodation costs appear to have been substantially reduced this year due in part to the accommodation options put in place by the Council. The degree to which it is possible to safely manage down demand in these services in post-Covid conditions will be fundamental to the Council's financial performance in 2021/22.

Several corporate budgets such as superannuation and the Coventry and Warwickshire Business Rates Pool yield can be subject to volatility and were budgeted for on a prudent basis in 2020/21. Both areas have resulted in an outturn position towards the favourable end of the range of reasonable expected outcomes which has contributed considerably to the overall bottom line position. Each of these favourable financial outturns have occurred in areas that have been subject to affirmative Council decisions in recent years. The underspends in corporate budgets relate to areas that are difficult to predict and to some extent are one-off in nature although it is likely that there may be some areas where budgetary flexibility can be identified as part of 2022/23 budget preparations.

The financial outturn and the contributions to reserves at year-end cannot disguise the fact that the Council faces some significant financial challenges ahead. It is clear that the direct effects of Covid will remain for a significant proportion of 2021/22 affecting areas such as the number of looked after children, car park income, Business Rates and property rental income. There remains a strong possibility that at least part of the financial impact will remain when the wider pandemic subsides and may become part of the structural fabric of the Council's financial position. The starting position for the Council's 2022/23 Budget is a gap of £17m ahead of the Government Spending Review due later this year which does not hold out much hope of a favourable local government settlement.

Setting aside the extra-ordinary Covid related Business Rates adjustment the wider increase in reserve balances is a significant element within the outturn position. What is clear when scanning the wider local government landscape however is the degree of risk built into local government finances. There have been a number of high profile financial failures often linked to ambitious local plans with scope to deliver financial returns. Given that the Council is itself involved in a range of commercial ventures, company structures and external loan financing arrangements there is good reason to ensure that the Council maintains a high degree of self-awareness of its position. High standards of due diligence, good governance and monitoring arrangements and the maintenance of a broad range of activities to guard against a concentration of risk are all vital factors to protect the Council's financial position. Further

though, it is important for the Council to maintain contingency balances to protect against the risk of financial failure in one or more key areas.

The overall level of reserve balances is distorted by the Covid related Business Rates reserve which reflects an unprecedented set of circumstances. Other than this the increase in Council revenue reserves includes temporary funding reflecting the timing of specific schemes or grant funding ahead of the need to spend. With the exception of the Council's General Fund balance all reserves have been set aside to deliver specific projects or risks. Given the size of the Council's ambitions defined by its Capital Programme, its transformation programme and its financial involvements that extend beyond traditional local authority service provision it is entirely appropriate for the Council to support this in the form of balances to pump prime such areas and provide some financial risk mitigation. Nevertheless, the Council remains firmly within a 'mid-table' position with the most recent CIPFA Resilience Index indicating that the Council remained just in the bottom of half of metropolitan district councils in relation to the level of its reserve balances. Insofar as the Council has been able to place itself in a strong financial position it is worth emphasising that rather than being a matter of internal concern only, these circumstances provide the best basis for the Council to improve services for residents and invest in the city and its communities.

The level of expenditure across a broad number and type of capital schemes has once again demonstrated the Council's appetite to embark on ambitious and innovative projects and its success in attracting grant funding to do this. The second largest programme of spend within the modern era (following 2019/20) has been 80% funded from external grant. The programme's coverage of projects affecting the city centre skyline, enhancing transport infrastructure, improving the profile of the city and providing support to local economic development continues to be a key part of the Council's approach. This is being carried out alongside the City of Culture year as part of a continuing approach to make the city more attractive to investors and visitors, to increase the provision of jobs locally and improve the economic well-being of citizens.

Although the Council has undertaken some borrowing to fund its capital expenditure this has been undertaken on a short-term basis at this stage, taking advantage of relatively low interest rates available from other local authorities. In other areas the Council continues to undertake prudent treasury activity and pursue commercial activity that is ambitious but proportionate to the size of its asset base and overall budget.

Reflecting the approach outlined above, reserve contributions are proposed within this report to help ensure the Council's financial sustainability, enable the city's recovery from Covid and continue to focus on the Council's priorities. The contributions will balance the Council's overall financial position to budget for 2020/21. It is proposed that £3m is set aside to protect against shocks from Council involvement in external arrangements (loans, regeneration development and key partner support), £1m made available to manage workforce pay and grading issues and the remaining £5.2m will provide for key policy priority areas which are likely to be identified as plans progress through 2021/22.

5.2 Legal implications

There are no specific legal implications in relation to this report.

6. Other implications

6.1 How will this contribute to achievement of the Council's Plan?

This report provides an account of the overall financial performance of the Council compared with its original Budget. The Council also monitors the quality and level of service provided to the citizens of Coventry and the key objectives of the Council Plan. This includes monitoring against the objective of delivering our priorities with fewer resources.

6.2 How is risk being managed?

The need to deliver a stable and balanced financial position in the short and medium term is a key corporate risk for the local authority and is reflected in the corporate risk register. Budgetary control and monitoring processes are paramount to managing this risk and this report is a key part of the process.

6.3 What is the impact on the organisation?

The revenue and capital outturn position reported here demonstrates that the Council continues to undertake sound overall financial management. This will continue to be very important in the light of the uncertainty being faced with regard to the level of funding available to local government over the next few years and the immediate impact and aftermath of the Covid-19 situation.

6.4 Equalities / EIA

No specific impact

6.5 Implications for (or impact on) Climate Change and the Environment

None

6.6 Implications for partner organisations?

None

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Appendix 1 Revenue Variations

Appendix 1 details directorate forecast variances.

Budget variations have been analysed between those that are subject to a centralised forecast and those that are managed at service level (termed “Budget Holder Forecasts” for the purposes of this report). The centralised budget areas relate to salary costs – the Council applies strict control over recruitment such that managers are not able to recruit to vacant posts without first going through rigorous processes. In this sense managers have to work within the existing establishment structure and salary budgets are controlled centrally rather than at this local level. The centralised forecast under-spend shown below is principally the effect of unfilled vacancies.

	Revised Net Budget	Forecast Spend	Centralised Forecast Variance	Budget Holder Forecast Variance	Total Forecast Variance	Less Covid Impact	Net Forecast Variance
	£m	£m	£m	£m	£m	£m	£m
Adult Social Care	79.0	79.9	0.0	0.9	0.9	0.9	0.0
Business Investment & Culture	7.2	8.9	0.2	1.4	1.6	1.4	0.2
Children & Young People's Services	71.1	76.8	(2.0)	7.7	5.7	5.4	0.2
Contingency & Central Budgets	10.7	(23.7)	0.0	(34.4)	(34.4)	(25.9)	(8.5)
Education and Skills	15.2	14.7	(0.3)	(0.1)	(0.5)	(0.4)	(0.1)
Finance & Corporate Services	3.2	4.8	(0.0)	1.6	1.6	1.7	(0.1)
Housing & Transformation	14.6	14.1	0.0	(0.6)	(0.5)	3.0	(3.5)
Human Resources	1.3	1.3	0.0	0.0	0.0	0.1	(0.1)
Legal & Governance Services	3.6	4.8	0.1	1.2	1.2	0.7	0.6
Directorate Management	1.4	1.4	0.1	(0.1)	(0.0)	0.0	0.0
Project Management & Property Services	(4.6)	(2.4)	0.2	2.0	2.2	2.2	0.0
Public Health	2.6	2.6	0.1	(0.2)	(0.0)	0.0	0.0
Streetscene & Regulatory Services	29.1	36.2	0.1	7.0	7.1	7.6	(0.5)
Transportation & Highways	4.4	10.2	(0.0)	5.9	5.8	5.7	0.2
Bottom Line Covid Adjustment						(2.2)	2.2
Total	238.8	229.5	(1.5)	(7.7)	(9.2)	(0.0)	(9.2)

The figures in this table may be subject to small rounding differences to the main report and the rest of the appendix.

	Centralised Variance Explanation	£m
	These are underspends against a combination of salary budgets and turnover savings target. They result from vacancies across Council services although the level of vacancies has been reducing. Some of these vacancies will be covered from agency and overtime to ensure services can be maintained. These costs are included within the service positions described below.	(1.5)
Total Centralised Variance		(1.5)

Budget Holder Variance

The Budget Holder variances explained below are reported excluding the impact of Covid. For example, Adult Social Care is reporting a net nil Budget Holder variance excluding the Covid impact

Service Area	Reporting Area	Explanation	£M
Public Health	Public Health - Insight	Variance due to Insight staff being transferred to support COVID response from the Covid 19 T&T Grant, and some Insight development projects and community engagement activities not going ahead due to Covid.	(0.2)
Public Health			(0.2)
Education and Skills	Employment & Adult Education	To date it has not been possible to deliver the outstanding £190k financial savings target set as part of previous budget setting processes to ensure we maximise grant funding against internal training programmes. Employment are showing a £265k budget holder over spend but this is fully offset by a centralised under spend.	0.5
Education and Skills	Other Variances Less than 100K		(0.2)
Education and Skills			0.3
Children and Young People's Services	Children's Services Management Team	£2.8m underspend due to COMF allocation towards COVID pressures within the service. Additional budget holder underspend within the Social Worker Academy due to a transfer of agency budget from Family Hubs to fund temporary increase in Academy posts (off-set by an overspend in the centralised variance)	(3.0)
Children and Young People's Services	Commissioning, QA and Performance	The non-Covid Budget Holder variance mainly relates to an overspend on agency staff who were covering vacancies across the service. This pressure has been exacerbated by higher numbers of children and their associated cases. This overspend was offset by underspends across centralised salary budgets. Recruitment continues to be a priority for Children's Services. Other variances include 1) £88k underspend in Safeguarding Boards, with fewer statutory reviews than usual in the year 2) £124k underspend on CAMHS linked to Covid impact on activity 3) Agency overspend of £58k in Professional Support Services in relation to three posts; two to grow the internal fostering provision and one for Throughcare. All three posts have now been filled permanently and the agency staff have left or are moving on shortly.	0.2
Children and Young People's Services	Help & Protection	There were two significant non-Covid Budget Holder variances in 2020/21. 1) Overspend on agency staff of £1.2m. This occurred as vacancies across the service needed to be covered. The overspend was offset by an underspend across centralised salary budgets, with recruitment a continuing priority for Children's Services 2) A	1.5

		£573k underspend across the Hubs which was mainly due to the transfer of Public Health grant of £408k to cover qualifying expenditure. Additionally, there were some smaller non-Covid Budget Holder variances including a £174k overspend on Section 17 client accommodation driven by increased activity and a £133k overspend on legal costs due to several high costs cases that occurred pre Covid.	
Children and Young People's Services	LAC & Care Leavers	The majority of the 'other budget holder variance' relates to placement costs. There was a pre-existing cost pressure on the unit cost of external placements identified at the start of 2020/21 which accounts for £1.3m of the overspend. Remands to custody as a consequence of youth violence are at the highest ever and there is a shortfall of £764k in the grant to offset this. Other pressures include the need to use agency staff (offset in part by an underspend in the centralised variance), the increase in support packages for disabled children, and the use of allowances to promote permanence outcomes for children. Finally, there has been an overall reduction of around £466k from the Q3 forecast; this was because LAC numbers did not increase by as much as anticipated following the ending of the January lockdown.	3.5
Children and Young People's Services			2.2
Adult Social Care	Strategic Commissioning (Adults)	£0.7m COVID-19 underspend relates to transport following the suspension of day opportunities earlier in the year and also ongoing reduced capacity as result of COVID-19. £0.2m other budget holder underspend relates to Carers budgets. Work is underway to continue to enhance the support offer to carers in 2021/22.	(0.2)
Adult Social Care	Adult Social Care Director	There are 2 significant variations which make up the budget holder variance. A £0.9m overspend due to specific COVID-19 related spend which will be resourced alongside other corporate covid related expenditure as well as a other budget holder £1.1m underspend representing the use of iBCF and other resources to manage the underlying Adult Social Care financial financial position.	(1.1)
Adult Social Care	All Age Disability and Mental Health Operational	There remains significant pressures in Deprivation of Liberty Assessment demand leading to additional assessment costs (£0.2m). The all Age Disability Team has also seen increasing demand alongside staff turnover. Ensuring statutory need is met has been essential and has resulted in additional agency cost.	0.3
Adult Social Care	Older People Community Purchasing	Demand for services continue to maintain consistent levels, which means overall spend is high. However a number of additional income streams have helped to ease budgetary pressures at the end of the financial year.	(1.4)
Adult Social Care	All Age Disability and Mental Health Community Purchasing	Demand for services continue to maintain consistent levels, which means overall spend is high. However a number of additional income streams have helped to ease budgetary pressures at the end of the financial year.	2.5
Adult Social Care	Other Variances Less than 100K		(0.1)
Adult Social Care			0.0

Housing & Transformation	Customer and Business Services	The impact of lockdown regulations and changes to ways of working has impacted on postage and printing needs across the Council resulting in reduced costs and a net loss of mainly internal income. This and some agency costs to cover vacant roles during reviews have been partially offset by some cost reduction actions by managers.	0.1
Housing & Transformation	ICT & Digital	There has been significant fluctuation in the demand on the ICT & Digital budget during 2020/21 as a result of the pandemic. We have seen a continued pressure on our traded income budget and a significant increase in demand for technology such as laptops and mobile phones. However, these pressures have been offset by reductions in costs and cost control measures implemented elsewhere within the budget. For example, suppliers have waived some charges or have given time limited cost reductions in other areas.	(0.2)
Housing & Transformation	Housing and Homelessness	The number of households living in temporary accommodation remains lower than anticipated with the evictions ban being extended. Additionally robust management processes in place for contracts/voids/preventions and move-ons have all had a positive impact	(3.4)
Housing & Transformation			(3.5)
Human Resources	Other Variances Less than 100K		(0.2)
Service Area	Reporting Area	Explanation	£M
Finance & Corporate Services	Revenues and Benefits	COVID-19 has resulted in a significant reduction in court cost income of around £1m due to the suspension of liability order applications and an estimated impact on the recovery of Housing Benefit subsidy overpayments c£650k. Other variations are due to an increase in the unit cost of supported exempt accommodation for which the Council only receives partial Housing Benefit subsidy if the provider is not a registered social landlord.	0.2
Finance & Corporate Services	Financial Mgt	Additional income generated from support to projects (c£75k) and one-off savings (c£60k)	(0.2)
Finance & Corporate Services	Other Variances Less than 100K		(0.1)
Finance & Corporate Services			(0.1)
Legal & Governance Services	Legal Services	The COVID-19 lockdown and related restrictions have had a negative impact on income streams within the Register Office c£0.3m. Additionally, the pandemic has necessitated additional legal agency staff and external legal fees for care proceedings at a cost of £0.32m. Other variations reflect a £250k cost of agency staff to cover vacancies within the Legal Services team, an underlying c£200k cost of external legal fees for care proceedings, and an underlying pressure of £100k in the Coroner's Service as a result of increased costs and volumes.	0.6
Legal & Governance Services	Democratic Services	Underspend as a result of COVID-19 restrictions and lockdown which prevented mayoral events and hospitality from taking place.	(0.1)

Legal & Governance Services			0.5
Transportation & Highways	Highways	This is primarily the impact of DLO being stood down from April to June 2020 due to Covid 19 meaning that the service was unable to recover c£0.3m of its costs and overheads. This was offset by fees earned on external works in the latter part of the year.	(0.1)
Transportation & Highways	Traffic	The majority of pressures (c£5.3m) are due to a significant reduction in parking and enforcement income during the COVID-19 lockdown periods and the rest of the financial year. Other variations include the delayed implementation of a new fee structure for residents' parking permits, additional resource requirement in the highways development team, offset by a higher volume of streetwork permit fees.	0.2
Transportation & Highways	Other Variances Less than 100K		0.1
Transportation & Highways			0.2
Streetscene & Regulatory Services	Streetpride & Parks	Various spend pressures relating to Tree Inspections c£50k, Fleet Costs c£150k, depot costs c£80k and traveller incursions c£94k have been offset by higher net income of £336k primarily in respect of Bereavement services and car parking at Coombe Park	0.1
Streetscene & Regulatory Services	Waste & Fleet Services	This surplus primarily relates to higher income and reduced costs in Commercial waste of £890k, together with one off savings in fleet of £269k for vehicle disposals, and £390k for reduced capital financing costs, offset by costs associated with Christmas Waste Collections c£150k and higher waste Disposal cost of £500k.	(0.8)
Streetscene & Regulatory Services	Other Variances Less than 100K		0.1
Streetscene & Regulatory Services			(0.6)
Project Management and Property Services	Commercial Property and Development	This small surplus represents one-off in year income from tenants for dilapidations and similar payments	(0.2)
Project Management and Property Services	Facilities & Property Services	This surplus reflects the positive trading surplus in both the R&M and compliance functions, offset by the void costs of holding the former sports building at Fairfax street	(0.5)
Project Management and Property Services	PMPS Management & Support	This deficit reflects the under achievement of the MTFS property acquisition target due to the PWLB rule change to prevent borrowing to fund yield generating commercial property	0.5
Project Management and Property Services			(0.2)
Contingency & Central Budgets	Corporate Finance	The underspemd incorporates £3.8m lower than forecast superannuation costs payable to the West	(8.5)

		Midlands Pension Fund flowing from the Council's up-front payment of contributions covering 2020/21 to 2022/23. The Coventry and Warwickshire Business Rates Pool reflects income above budget of £1.6 as a result of reported Business Rates levels across Coventry and Warwickshire. The net Asset Management Revenue Account position is an underspend of £3.0m and includes includes higher than budgeted interest income on the Council's investments and lower than budgeted borrowing interest costs.	
Total Budget Holder Forecast Variances - Contingency & Central Budgets			8.5

Appendix 2 Capital Programme Change and Analysis of Rescheduling

SCHEME	APPROVED CHANGES £m	(RESCHEDULING) / ACCELERATED SPEND £m	(UNDERSPEND) / OVERSPEND £m	EXPLANATION
Coventry South Package	(3.6)	(3.5)		<p>Having completed the main works compound, installed boundary fencing and tree protection fencing, earthworks have commenced on the A46 N/B on slip and the S/B off slip roads, as part of construction phase 1 of the works.</p> <p>Liaison work continues to ensure the scheme traffic management is co-ordinated with other planned works in the area by, in particular, HS2 and Highways England.</p> <p>Works still remain programmed to complete in summer 2022 (an 18 month construction period) but a decision to locate a COVID-19 mass vaccination centre at nearby Stoneleigh Park has presented challenges through the requirement to keep key access routes to the vaccination centre clear. This has effected programme and spend to date, hence the slippage.</p> <p>The £3.6 approved change is because the the Tile Hill car park expansion is now being delivered by TfWM and CCC will no longer be the accountable body."</p>
Coventry Very Light Rail	0.4	(2.2)		Delays in the procurement staff shortage at DMBC due to COVID which led to some items being procured later than planned and not receiving invoices in time from DMBC to claim for GBF funds.
City Centre South		(1.8)		Delays in the purchase of land and the completion works at Coventry Point demolition includes costs for tarmac and fees to be completed in 2021/22
Friargate		(1.2)		£750k of the slippage is the payment that the Council is required to pay to the JV as Shareholder. This payment was not required during 2020/21, however it has now become due and will mainly fund infrastructure works. The remaining £450k variance is as a result of a variance to the profile of spend on Two Friargate and more accurate forecasting following appointment of the contractor.
Highways Investment		(1.8)		There were 5 surface treatment schemes, 2 footway improvement schemes and 2 verges schemes that were not able to be delivered because of restrictions due to COVID19 and government lockdown measures. Flood alleviation works at Allesley and Broad Lane has slipped, due to programme delays from the

				Environmental Agency. Value for money was achieved on delivery of the Challenge fund footway programme by using our framework contractors, resulting in scheme outturn costs coming in less than initially anticipated.
Swanswell Viaduct Phase 2		(0.5)		Contract started February 2021 and will run to September 2021. All budget will be expended in the 2021/22 financial year.
Integrated Transport Block Programme		(1.7)		The proposed safety scheme for Old Church Road was delayed. However, consultation has now been undertaken, this finished on 5th March and the scheme will be constructed 2021/22. UTMC rescheduling has occurred as a result of the KRN works programme running over 18 months due to complete in September as agreed with TfWM
Getting Building Fund		(1.7)		The projects in the Getting Building Fund (GBF) programme have all been impacted by delays, primarily due to the pandemic, and initial financial forecasts which were set in early 2020/21 have been revised with the majority of spend taking place in the 2021/22 FY. All projects remain on track to complete spend by 31 March 2022 in line with the close of the GBF grant programme.
Public Realm Phase 5 - City of Culture	0.2	(5.4)		The programme was effected by COVID 19 and lockdown measures, meaning that scheme completion has slipped into the first quarter of 2021-22.
Clean Bus Technology, Better Streets Community and Binley Cycle Scheme		(1.6)		An improved price was achieved for the retrofit of buses than originally budgeted. The remaining grant will be slipped into next year as it is anticipated that there will be further bus retrofits.
Air Quality		(0.3)		There was a slight delay due to COVID 19 that impacted Coundon Cycleway, but the scheme is now back on programme with completion planned for summer 2021. A final Full Business Case is still awaiting a decision from Government that has led to slippage of spend into next year.
Coventry Station Masterplan		(1.2)		The variance between Q3 and Q4 can be attributed to a number of factors. Firstly a delay in Network Rail fees being issued for the period and the original estimates for Project Management fees coming in less than original forecast for Q4. Secondly there is some variance in relation to forecast costs for construction activities for the Footbridge, Multi-Storey Car Park & Secondary Entrance and highways works as a result of changes to programme resulting in some activities now falling into

				2021/22. The substation costs have increased to reflect project changes and agreed compensation events. The Network Rail fees for NUCKLE 1.2 have slipped into 2021/22 as the Council are awaiting the signed contract from Network Rail to enable invoicing to commence. Finally the existing station programme cost profile has been adjusted to reflect the delivery programme being refined to align with the contract the Council has entered into with Avanti who will be delivering the works.
Whitley Depot Redevelopment		(0.6)		Predicted cashflow amended to match actual contractor cashflow. This is due to high value items on the non-critical path being agreed at later date than originally programmed.
Whitley Depot ICT Hub		(0.2)		The rescheduling on this scheme is in relation to the delays encountered with our new Data Centre facility being handed over by the provider – this should be complete within the first half of this financial year
Homelessness		(0.5)		Plans to purchase potential supported temporary accommodation in 2019/20 and 2020/21 did not go ahead as planned and a phase 3 programme is currently being drafted for future use of funds
Battery Plant and Equipment		(3.3)		There have been delays in completion of the project due to the Covid-19 pandemic. Commissioning of equipment has taken longer than planned because of travel restrictions preventing engineers from overseas suppliers travelling to the site to support the UKBIC team. Final payments on equipment cannot be made until commissioning is complete. The UKBIC Team is working hard to complete the commissioning of all equipment and complete the site and it is hoped that this will be completed later this year
UK City of Culture	0.2	(3.1)		The Cultural Capital Investment Programme is progressing well and the majority of projects on track. However, there have been a few delays due to Covid and supply issues. The Programme Team are confident that these have now been resolved.
UK City of Culture - Collection Centre		1.2		Cabinet Approval on 23rd February 2021 - the acquisition of the IKEA premises and adjoining land for the national collection centre has incurred costs in advance of budget setting for 2021/22.
Disabled Facilities Grant		(0.4)		Underspend due to slippage of various adaptation and building schemes primarily due to Covid-19 issues causing slowdown in activity throughout the year.

Basic Need	0.4	(1.6)		This is primarily related to 3 live projects. Tender award delays have pushed the cash flow projection back by 1 – 2 months which moved the value across into 2021/22 from 2020/21. Essential concrete works and structural repairs has resulted in a delay on site to define works required and as such delayed further activity/spend as one project.
Condition		(0.3)		Accessibility to works on live sites during Covid pandemic has meant some works have been more difficult to schedule in. This has resulted in works having to be delayed, and spend has been slipped.
SEND		0.4		Work has been undertaken quicker than anticipated causing spend to be accelerated. Projects completed on time and within budget.
Running Track Warwick University	0.2			Approved for funding in 2018 for 40% contribution towards the running track at Westwood Campus - Warwick University
Alan Higgs Centre - 50m Swimming Pool		(0.2)		A sum of just over £207k needs rescheduling into 2021/2022 to fund the final retention payment o/s (linked to the closing out of the final defects with the Contractor) and to cover the costs of some works currently being finalised
Re-provision of Coventry's Indoor Bowls Facility		(0.2)		The project start date has been rescheduled to September 2021 due to delays with agreeing the lease to start construction with the Avenue Bowls Club and then subsequent delays due to birds nesting in vegetation that needs to be removed prior to starting construction which will only be possible once the birds nests become inactive.
Loop Line			(0.2)	Facility not taken up
Multi Recycling Facility Development Costs	(0.4)			Techncial change to realign budget

Whitley South Infrastructure	(2.8)			Technical adjustment to funding to match spend
Ernest Jones	0.6			Cabinet approval on 1st December 2020, for the surrender of the lease on the premises in Upper Precinct, in order to implement phase two of the public realm scheme.
ICT		(0.4)		The rescheduling is largely in relation to projects not progressing as quickly as would have been expected primarily due to the impact of COVID both from a supplier point of view and capacity with them or from a Coventry City Council point of view in terms of shifting or changing priorities as a result of managing the pandemic.
Purchase of Containers - Commercial Waste		(0.3)		Essentially lack of new business, and loss of existing business meant we didn't need to purchase as many containers as forecast resulting in lower spend.
Active Travel		(0.2)		Active travel phase 1 has been successfully delivered, phase 2 has now commenced with the remainder of the programme to be now delivered in the next financial year.
Green Homes Grant		(0.2)		Green Homes Grant Local Authority Delivery Phase 1A grant funding was not spent in 2020/21 and moved into 2021/22 due to our delivery partner, Act on Energy, being unable to install energy efficiency measures in homes because of Covid-19. Government lockdown restrictions meant contractors were unable to visit people's homes to install measures and Act on Energy were unable to complete the required eligibility checks. The pandemic also meant residents did not want additional people in their homes resulting in low interest in the scheme. With the recent easing of lockdown restrictions and increasing resident confidence, Act on Energy have now been able to start installing measures for this scheme.
ESIF - Low Carbon		(0.1)		Due to the ongoing pandemic, businesses are not currently able to invest in the low carbon technologies & project which Green Business Grant would support, therefore demand for grants have been less than anticipated. The programme is confident that the demand will increase and we will work to support businesses when they are able to invest again.

Interest Capitalisation	1.6			This is in respect to the accounting policy referring to the prudential borrowing costs associated with schemes: Whitley South and Coventry Station Masterplan. Borrowing costs, in the form of interest expenses, are capitalised where the asset in question is a qualifying asset and takes a substantial period of time to bring into operation. Borrowing costs will only be capitalised on schemes for which expenditure is incurred over a period of more than 12 months, until the asset is operationally complete, and where a material level of capital expenditure is resourced by borrowing.
Growing Places		0.9		The Capital Development works and creation of a Commonwealth Convention Centre at the Ricoh Arena, funded by Local Growth Fund, Growing Places and Getting Building Fund, began in Autumn 2020. Due to an accelerated programme and completion of a new Sports Bar the project was able to draw down the full GP allocation in 2020/21.
Net movement of schemes below <£100k	(0.8)	(0.9)		
TOTAL CHANGES	(4.0)	(32.5)	(0.2)	

Summary Prudential Indicators

	Per Treasury Management Strategy	Actual
	20/21 £000's	20/21 £000's
1 Ratio of financing costs to net revenue stream:		
(a) General Fund financing costs	32,841	30,714
(b) General Fund net revenue stream	231,815	231,815
General Fund Percentage	14.17%	13.25%
2 Gross Debt & Forecast Capital Financing Requirement		
Gross debt including PFI liabilities	373,492	383,886
Capital Financing Requirement (forecast end of 21/22)	531,358	531,358
3 Gross Debt to Net Debt:		
Gross debt including PFI liabilities	373,492	383,886
less investments	-70,000	-76,594
less transferred debt reimbursed by others	-10,161	-10,161
Net Debt	293,331	297,130
4 Capital Expenditure (Note this excludes leasing)		
General Fund	232,744	194,211
5 Capital Financing Requirement (CFR)		
Capital Financing Requirement	492,506	503,213
Capital Financing Requirement excluding transferred debt	482,345	493,052
6 Authorised limit for external debt		
Authorised limit for borrowing	439,540	439,540
+ authorised limit for other long term liabilities	62,805	62,805
= authorised limit for debt	502,345	502,345
7 Operational boundary for external debt		
Operational boundary for borrowing	419,540	419,540
+ Operational boundary for other long term liabilities	62,805	62,805
= Operational boundary for external debt	482,305	482,305
8 Actual external debt		
actual borrowing at 31 March 2020	312,873	
+ PFI & Finance Leasing liabilities at 31 March 2020	62,797	
+ transferred debt liabilities at 31 March 2020	10,161	
= actual gross external debt at 31 March 2019	385,831	
9 CIPFA Treasury Management Code – has the authority adopted the code?	Yes	

9 Interest rate exposures		
Upper Limit for Fixed Rate Exposures	439,540	292,336
Variable Rate		
Upper Limit for Variable Rate Exposures	87,908	-47,842
10 Maturity structure of borrowing - limits		
under 12 months	50%	16.5%
12 months to within 24 months	20%	2.4%
24 months to within 5 years	30%	18.5%
5 years to within 10 years	30%	2.4%
10 years & above	100%	60.2%
Investments longer than 364 days: upper limit		
	30,000	30,000

Prudential Indicators

The Cipfa Code imposes on the Council clear governance procedures for setting and revising of prudential indicators and describes the matters to which a Council will ‘have regard’ when doing so. This is designed to deliver accountability in taking capital financing, borrowing and treasury management decisions.

The Prudential Indicators required by the Cipfa Code are designed to support and record local decision making and not as comparative performance indicators.

There are eleven indicators shown on the previous page, and these are outlined below:

Revenue Related Prudential Indicators

Ratio of Financing Costs to Net Revenue Stream (Indicator 1):

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs.

Capital and Treasury Management Related Prudential Indicators

Gross Debt and Capital Financing Requirement (Indicator 2):

The Council needs to be certain that gross external borrowing does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the preceding year plus the estimates of any additional capital financing requirement for 2021/22 and the next two financial years. The CFR is defined as the Council's underlying need to borrow for capital purpose, i.e. it's borrowing requirement. The CFR is the amount of capital expenditure that has not yet been financed by capital receipts, capital grants or contributions from revenue.

Capital Expenditure (Indicator 3):

This indicator is an estimation of the Council's future capital expenditure levels and these underpin the calculation of the other prudential indicators. Estimates of capital expenditure are a significant source of risk and uncertainty and it is important that these estimates are continually monitored and the impact on other prudential indicators (particularly those relating to affordability) are assessed regularly.

Capital Financing Requirement (Indicator 4):

As outlined in Indicator 2 above, the CFR represents the Council's underlying need to borrow for capital purposes.

Authorised Limit for External Debt (Indicator 5):

This statutory limit sets the maximum level of external borrowing on a gross basis (i.e. excluding investments) for the Council. Borrowing at this level could be afforded in the short term but is not sustainable. The Authorised limit has been set on the estimated debt with sufficient headroom over and above this to allow for unexpected cash movements.

Borrowing plus PFI and finance lease liabilities at £385.8m was within the limit of £502.3m.

Operational Boundary for External Debt (Indicator 6):

This indicator refers to the means by which the Council manages its external debt to ensure it remains within the statutory Authorised Limit. It differs from the authorised limit as it is based on the most likely scenario in terms of capital spend and financing during the year. It is not a limit and actual borrowing could vary around this boundary for short times during the year. Borrowing plus PFI and finance lease liabilities at £385.8m was within the boundary of £482.3m.

Actual External Debt (Indicator 7):

This indicator identifies the actual debt at the end of the previous financial year as recognised with the Statement of Accounts.

Adoption of the Cipfa Treasury Management Code (Indicator 8):

This indicator is acknowledgement that the Council has adopted the Cipfa's *Treasury Management in the Public Services: Code of Practice*.

Interest Rate Exposures for Borrowing (Indicator 9):

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

The Upper Limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could impact negatively on the overall financial position.

Maturity Structure of Borrowing – Limits (Indicator 10):

This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, thereby managing the effects of refinancing risks.

The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

Investments Longer than 364 days: Upper Limit (Indicator 11):

This indicator sets an upper limit for the level of investment that may be fixed for a period greater than 364 days. This limit is set to contain exposure to credit and liquidity risk.

All these prudential limits need to be approved by full Council but can be revised during the financial year. Should it prove necessary to amend these limits, a further report will be brought to Cabinet, requesting the approval of full Council for the changes required.

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Audit and Procurement Committee Annual Report to Council

2020-21

To be considered at the City Council meeting
on the 7th September 2021

Audit and Procurement Committee Annual Report 2020-21

Introduction by Chair of Audit and Procurement Committee

I am pleased to present this report which outlines the Committee's work over the municipal year 2020-21.

The covid-19 pandemic and the way the Council has stepped up to provide support to the citizens and businesses of Coventry in these challenging times only underlines the importance of having an effective governance framework and sound financial management in place. The Audit and Procurement Committee is a key component of the Council's governance framework, supporting good governance and strong public financial management. Despite the challenges presented by Covid-19 over the last year, the Committee has worked flexibly and adapted to continue to discharge its key responsibility effectively, namely providing independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the Council's financial reporting and governance processes. This has included considering matters specifically related to the pandemic such as the Covid-19 risk register and anti-fraud and corruption activity in relation to business grants. Alongside this, the Committee approved new arrangements for discharging their role in respect of overseeing procurement activity.

I am looking forward to building on the good work done in 2020-21 and ensuring that the Committee continues to make a positive contribution to the overall governance arrangements within the Council. In terms of priorities for 2021-22 these include ensuring that:

- The Council's risk management, governance, internal control and financial management arrangements continue to operate effectively as we emerge from the pandemic and enter the recovery phase.
- The Committee receives the audited 2019-20 accounts.
- The Committee considers forthcoming government guidance on implementing recommendations from the Redmond Review into the effectiveness of external audit and transparency of financial reporting in local authorities.

I hope that this Annual Report helps to demonstrate to Coventry residents and the Council's other stakeholders the vital role that is carried out by the Audit and Procurement Committee and the contribution that it makes to the Council's overall governance arrangements.



**Councillor Ram P. Lakha OBE
Chair, Audit and Procurement
Committee**

1 Activity of the Council's Audit and Procurement Committee

During 2020-21, the Council's Audit and Procurement Committee met on four occasions. Meetings were held in October and November 2020, as well as in January and March 2021.

The Committee receives a range of:

- Routine reports based on the clearly defined expectations of services / functions that report to the Audit and Procurement Committee, e.g. internal / external audit and financial management.
- Ad-hoc reports which focus on either a specific concern or developments that impact directly on the Committee.

The details of the reports considered in 2020-21 are expanded upon below.

1.1 **Governance** - As part of the Annual Accounts process for 2019-20, the Chief Internal Auditor co-ordinated the development of the Council's Annual Governance Statement. The draft Statement was considered by the Committee in October 2020 and then in November 2020, when the audited Statement of Accounts were considered by the Audit and Procurement Committee. The Statement set out the impact of the Coronavirus pandemic on governance, both in terms of existing arrangements and new areas of activity linked to the Council's response to the situation. As well as highlighting a number of ongoing governance issues that remain a focus for the Council, the Statement also acknowledged the following new governance issues identified from the work undertaken to produce the Statement; securing a legacy from the City of Culture, acting on the outcomes of the review of the Council's Scrutiny function, strengthening arrangements linked to the programme of health and safety audits, further developing the Council's IT disaster recovery plans and processes, review of the Social Value and Sustainability Policy, and implementation of recommendations arising from the Redmond Review and the Government's report into Local Government Ethical Standards.

1.2 **Financial Management and Accounting** – As a result of the coronavirus pandemic, a decision was taken that the draft Statement of Accounts would not be considered by the Audit and Procurement Committee and instead the audited Statement of Accounts were considered by the Committee in November 2020, when they were approved subject to any final changes to the Statement following completion of outstanding work by the Council's external auditors, Grant Thornton. Additionally, the following reports were received in year:

- The revenue and capital outturn position for 2019-20 was considered in October 2020. The report showed the Council's financial position in relation to management accounts used to monitor performance through the year.
- Quarterly monitoring reports of the Council's performance against its revenue and capital budgets during 2020-21 were considered in October 2020, November 2020 and March 2021.
- A treasury management activity update was considered in January 2021. The report highlighted investment activity carried out by the Council and provided assurance that the Council was managing investments in accordance with its Investment Strategy.

1.3 **External Audit** - The following report was received from the Council's external auditors, Grant Thornton in 2020-21:

- The draft Audit Findings for Coventry City Council - This report was considered in November 2020 following an extension to the period of audit by Grant Thornton to 30th November 2020 in line with national regulations. Its purpose was to highlight the key findings arising from the audit of the Council's financial statements for the year ending 31 March 2020. The report conclusions were that, subject to completion of outstanding matters:
 - An unqualified audit opinion would be provided on the Council's financial statements. This would include an emphasis of matter paragraph highlighting uncertainties in valuations due to Covid-19.
 - The Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Alongside recommending a number of adjustments and amendments to the final accounting statements which were accepted, the external auditors recommended that the Council revalue a number of its assets on an annual basis with external valuers having been appointed to carry out this work.

Following consideration of this report, subsequent external audit activity undertaken to enable the Council's Statements to be finalised identified further issues that have been the subject of significant work since November 2020. This, alongside a range of other environmental factors have contributed to delays to the external auditors issuing their final audit opinion beyond the regulatory deadline and during 2020-21 has also impacted on the normal timetable of reports that the Committee receives from the external auditors.

1.4 **Internal Audit** – In October 2020, the Audit and Procurement Committee received the Internal Audit Annual Report. This report had two main purposes:

- To summarise the Council's Internal Audit activity for the period April 2019 to March 2020, against the agreed Internal Audit Plan for the same period. This highlighted the Internal Audit Service had delivered 89% of the agreed work plan by the 31st March 2020, against a target of 90%.
- To provide the Committee with the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment. Based on the work of Internal Audit in 2019-20, the Chief Internal Auditor concluded that 'moderate' assurance could be provided that there was generally a sound system of internal control in place to help the organisation meet its objectives.

Other Internal Audit reports considered during the year include:

- Internal Audit Plan for 2020-21 – This report considered the outcome of the Internal Audit planning process and provided the Committee as a key stakeholder of the Internal Audit Service, the opportunity to comment on scope and coverage outlined in the plan.
- Quarter Three Internal Audit progress report – This report provided an update on the performance of the Service during 2020-21, along with a summary of the key audits from a sample of high-profile audit reviews carried out in the relevant period. In considering these reports, the Committee agreed with the

focus of improvements identified and the timescales agreed for implementation.

1.5 **Fraud and Error-** The following fraud reports were considered in 2020-21

- Annual Fraud and Error Report - This report was considered by the Committee in January 2021 and summarised the Council's response to anti-fraud and error activity for the financial year 2019-20. This included:
 - A rolling programme of reviews linked to Council Tax exemptions / discounts. It was highlighted that 20 exemptions / discounts had been removed from customers' accounts in 2019-20, which resulted in revised bills being issued amounting to around £28k.
 - A summary of the work undertaken in relation to the National Fraud Initiative, a data matching exercise led by the Cabinet Office. In 2019-20 around 4000 matches were reviewed. This identified £300k of overpayments, which were being recovered wherever possible to do so.
 - An overview of the whistleblowing disclosures received during 2019-20. In total six disclosures were received and responded to, which was comparable to the national average. This included one case where management action was taken to make improvements.
 - A summary of the work undertaken in relation to other corporate fraud work including investigations and proactive exercises.
- Half Yearly Fraud and Error Update - A report was received in January 2021, which provided an up-date on anti-fraud and error activity in 2020-21. This included the work undertaken in relation to grants paid to businesses during the pandemic, including advising on controls to minimise the risk of fraud and error, undertaking assurance checks and investigating cases of fraud and error.
- In January 2021, the Committee considered a private report concerning a specific fraud which occurred during 2020-21. This included the action taken to improve controls to prevent any future frauds of this type.

1.6 **Procurement** – A report relating to procurement was received in November 2020. This area is considered under the private part of the agenda and is a progress report summarising procurement activity considered by the Procurement Board and Panels in the relevant period, as well as providing an update on progress made in delivering agreed procurement saving targets. The Committee in considering these reports noted the content of reports and sought assurance around specific activity highlighted. The Committee also approved the proposed change in format and frequency of future reports concerning procurement activity.

1.7 **Salaries** – Within its terms of reference, the Committee is responsible for determining any salary or severance package for an employee of the Council (except the Chief Executive) of £100k or over. The Committee received reports in October 2020 linked to the discharge of this function.

1.8 **Other** - The Audit and Procurement Committee also supports the Council in considering other areas linked to risk management, internal control and governance and in 2020-21, this included the following:

- Complaints to the Local Government and Social Care Ombudsman 2019-20 - This report provided information regarding the number and outcome of Local Government and Social Care Ombudsman complaints received and

investigated during 2019-20 along with outlining the actions taken by the Council where a complaint was upheld by the Ombudsman. Of the 117 complaints, only 22 were pursued and 11 upheld. The Ombudsman did not issue formal reports of maladministration for any of the complaints upheld.

- Corporate and Covid-19 Risk Registers– This report set out the current Corporate Risk Register and Covid-19 Risk Register. The Corporate Risk Register focuses on the main risks facing the Council whilst the Covid-19 Risk Register highlighted specific organisational risks to the delivery of statutory functions as a result of the pandemic. Both registers provide details of the controls in place to address these risks. The Committee noted the Risk Registers having satisfied themselves that risks are being identified and managed.
- Information Governance Annual Report 2019-20 – This report considered the Council’s performance in relation to handling requests for information, managing data protection security incidents and completing data protection training, as well as highlighting the outcome of internal reviews carried out by the Council and complaints considered by the Information Commissioners Office. The Council completed 78% of FOI requests on time and 72% of Subject Access Requests. Five Information Commissioners Office complaints were received during the year, which were appropriately dealt with. No security incidents were reported to the Information Commissioners Office during the year.
- Regulation of Investigatory Powers Act 2000 Annual Compliance Report – This report focused on providing oversight of the Council’s compliance with this Act. Four directed surveillance applications were granted during the year. There were no reported instances of the Council having misused its powers under the Act.



Coventry City Council

Public report

Report to

Audit and Procurement Committee

26th July 2021

Name of Cabinet Member:

Cabinet Member for Policy and Leadership – Councillor G Duggins

Director approving submission of the report:

Director of Finance

Ward(s) affected:

City Wide

Title:

Annual Governance Statement 2020-21

Is this a key decision?

No

Executive summary:

The purpose of this report is to provide details of the results of the annual review of effectiveness of the Council's governance arrangements and seek approval for the Annual Governance Statement, which forms part of the Statement of Accounts for 2020-21.

Recommendations:

Audit and Procurement Committee is recommended to:

- 1) Consider the findings of the review of effectiveness of the Council's governance arrangements and confirm its satisfaction with the level of assurance provided that arrangements are fit for purpose.
- 2) Consider and approve the Annual Governance Statement (attached at Appendix 1 to the report), which will accompany the 2020-21 Statement of Accounts.

List of Appendices included:

Appendix 1 – Annual Governance Statement 2020-21

Background papers:

None

Other useful documents:

Annual Governance Statement 2019-20

<https://edemocracy.coventry.gov.uk/ieListDocuments.aspx?CId=553&MId=12269&Ver=4>

Has it or will it be considered by scrutiny?

No

Has it, or will it be considered by any other council committee, advisory panel or other body?

No

Will this report go to Council?

No

Report title:

Annual Governance Statement 2020-21

1. Context (or background)

- 1.1 Coventry City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this responsibility, the City Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.2 To demonstrate such arrangements, the City Council has adopted a Code of Corporate Governance, which is consistent with the principles reflected in the CIPFA / SOLACE framework and guidance 'Delivering Good Governance in Local Government' (2016).
- 1.3 The Annual Governance Statement ('AGS') explains how Coventry City Council has complied with the Code and in doing so, reflects the requirements of the Accounts and Audit Regulations 2015 and the Accounts and Audit (Amendment) Regulations 2021, which requires all relevant bodies to conduct a review of the effectiveness of its system of governance and prepare an Annual Governance Statement. The AGS also details key governance / control issues that the Council faces in the coming year.
- 1.4 It is important the Annual Governance Statement is current at time of final publication (i.e. when the Statement of Accounts is published.) As such, the Council's governance arrangements will continue to be kept under review and an update will be provided to the Audit and Procurement Committee in the event that there are significant changes to the Statement.

2. Options considered and recommended proposal

- 2.1 Whilst processes are in place to assess key elements of the governance framework through-out the year, for example through the work of Internal Audit, the Corporate Governance Steering Board and the Council's Audit and Procurement Committee, an annual review is also undertaken as part of the production of the AGS for the year. The purpose of the review is to provide assurance that arrangements continue to be fit for purpose and identify key governance issues for the forthcoming year. This annual review incorporates a number of processes with the outcomes reviewed and agreed by the Corporate Governance Steering Board and Strategic Management Board. For 2020-21, this has included:
 - The outputs from the Internal Audit Service, reflected in an annual report that identifies those issues, which in the opinion of the Chief Internal Auditor, should be considered when producing the Annual Governance Statement.
 - Reports from external bodies during the year, including those from the Council's external auditors and other inspection agencies.
 - Consideration of the Council's Corporate Risk Register and Covid-19 Risk Register.
 - An annual assessment by each Director of the adequacy of governance arrangements / internal controls in relation to their service areas.

- An initial assessment of the Council's compliance with the principles and standards of the CIPFA Financial Management Code, which supports good practice in financial management and demonstrating financial sustainability.

- Assessment of the role of the S151 Officer against the requirements stated in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016.)

- An annual review against the principles and best practice set out in the Code of Corporate Governance. In 2020-21, the review has focused on considering the impact of Covid-19 on governance arrangements and assessment of the effectiveness where the Council has been required to adapt its arrangements.

2.2 Based on the outcomes of the review, the overall opinion that has been reached is that reasonable assurance can be provided that the Council's governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The basis of this opinion includes the following key findings from the review:

- The Chief Internal Auditor's opinion that moderate assurance can be provided that there is generally an effective and adequate framework of governance, risk management and internal control in place designed to meet the Council's objectives.

- An initial self-assessment of the Council's compliance with the Financial Management Code which has concluded that the Council is in a relatively strong position with regards to having good and sustainable financial management.

- An assessment of the impact of Covid-19 on the Council's governance arrangements which has concluded that taken as a whole the Council's arrangements have continued to be effective in delivering against the principles of good governance as outlined in the Local Code of Governance. Examples of how this has been demonstrated include the positive financial outturn position for 2020-21, the significant progress made to relation to the Council's programme of capital investment, the provision of public access to meetings through webcast facilities and processes to ensure transparency over emergency decision making.

- Positive inspection findings from the Care Quality Commission in relation to Council run social care services.

- Assurance that the Council has identified key risks emerging as a result of Covid-19 and has put in place appropriate measures to manage risk.

- Assurance obtained from Directors that there are no significant concerns in relation to governance within their service areas.

- The conclusion that the role of the S151 Officer within the Council meets the principles of the CIPFA statement on the Role of the Chief Financial Officer in Local Government

- The draft audit findings from the Council's external auditors. Whilst it is acknowledged that the final audit opinion is still to be issued, the expectation remains that the auditors will issue an unqualified value for money conclusion on the Council for 2019-20.

2.3 The AGS also details the key governance issues that the Council faces in the coming year. Section 5.3 of Statement, attached at Appendix One, provides details of these areas. Whilst the process of identifying the issues is co-ordinated by the Chief Internal Auditor, it also incorporates the views and opinions of senior officers, the Council's Governance

Steering Board and Strategic Management Board. The key issues come from the following processes:

- A review of progress against the actions planned to address significant issues highlighted in the Annual Governance Statement for 2019-20.
- New issues identified as part of the review of effectiveness outlined in section 2.1.

The outcomes from these processes are expanded upon below.

2.4 **Update on issues raised in the Annual Governance Statement 2019-20** – An update on the progress against planned actions in relation to the issues raised in the 2019-20 AGS is provided in section 5.1 of the Statement attached at Appendix One. A review of the 16 issues highlighted in the AGS for 2019-20 has found that these fall into two categories, namely:

2.4.1 Issues which have now been addressed – Two issues have been closed as they are no longer viewed as a significant governance issue facing the Council and will not be carried forward to the 2021-22 action plan:

- Delivery of the People Plan: Significant progress has been made to deliver the plan including launch of the Council's values and Diversity and Inclusion Strategy, introduction of an electronic casework system and new reward platform, review of a number of policies and procedures and increase in the number of health and wellbeing initiatives in response to the pandemic. There are now four strategy documents namely the People Plan, Employee Health Well-Being Strategy, Diversity and Inclusion Strategy and Engagement Plan that detail the work of the HR service. All these documents have measurable outcomes, stated timelines, with accountable officers which are now being delivered. Progress and achievement can be evidenced, thus making this business as usual. As a result, this issue has not been carried forward to the 2021-22 action plan.
- Acting on the outcomes of the review of the Council's Scrutiny function: Appropriate recommendations were built into the scrutiny approach for 2020-21 including stronger scoping and prioritisation of items and more engagement of Cabinet Members. A Scrutiny Protocol and approach to work planning is being developed and training for chairs and scrutiny members has been scheduled for the start of the new municipal year and built into the new Member Development and Training programme. As appropriate actions have been completed, this issue has not been carried forward to the 2021-22 action plan.

2.4.2 Carry forward to the 2021-22 Action Plan - A number of governance issues remain in the Annual Governance Statement. It is worth noting that for some issues, the pandemic did create challenges in delivering the actions planned in 2020-21 in the timescales originally envisaged and required the focus of activity to be re-shaped. These governance issues are detailed in section 5.3 of the Statement attached at Appendix One, along with the actions the Council plans to take in 2021-22 in relation to these issues. In summary, the issues that have been carried forward to the 2021-22 Action Plan are as follows:

- Sustainable improvement in Children's Services.
- Ensuring delivery of the Council's vision and corporate objectives, in line with the Medium-Term Financial Strategy.
- Raising educational standards.

- Implementation of the Information Management Strategy.
- Management of increasing demand in relation to homelessness and the associated costs of housing families in temporary accommodation.
- Development of a corporate data access standard.
- Governance over relationships with partners and outside bodies.
- Governance over the programme of capital projects.
- City of Culture legacy.
- Strengthening arrangements linked to the programme of health and safety audits undertaken.
- Further development of the Council's IT Disaster recovery plans and processes.
- Review and update of the Social Value and Sustainability Policy.
- Implementation of the Local Government Ethical Standards Best Practice from the Committee on Standards in Public Life.
- Implementation of the Redmond Review into the oversight of local audit and the transparency of local authority financial reporting.

2.5 New Governance Issues – Six new issues have been identified for the Annual Governance Statement. These are also detailed in section 5.3 of the Statement attached at Appendix One, along with the actions the Council plans to take in 2021-22 in relation to these issues. These issues were identified as part of the review undertaken to support the production of the AGS as detailed in 2.1 and are summarised below:

- Further strengthening the Council's arrangements and internal control environment around IT / Cyber Security.
- Improving the system for identifying, evaluating, controlling and monitoring information risks (this has been incorporated into the wider issue of delivery of the Information Management Strategy.)
- Demonstrating compliance with the Financial Management Code.
- Ensuring robust governance over group activities / investments.
- Embedding new methods of consultation and engagement.
- Refresh of the One Coventry Plan.

2.6 Notwithstanding the issues which have been identified through the annual review, it is recognised that the Council is not in a position at the current time to understand all of the longer-term impacts of Covid-19 on the Council's priorities and achievement of sustainable outcomes. This will remain a key area of focus during the forthcoming year and will be considered in the preparation of the Annual Governance Statement for 2021-22.

3. Results of consultation undertaken

3.1 None

4. Timetable for implementing this decision

4.1 Timescales for specific actions which are being taken to address significant governance issues are included in the Annual Governance Statement.

5. Comments from the Director of Finance and the Director of Law and Governance

5.1 Financial Implications

There are no specific financial implications associated with this report. Internal control / governance, have clear and direct effects on finance within the Council. Since these vary widely, it is not useful to attempt to summarise them here, beyond noting that all systems and controls are designed to help improve value for money obtained, the probity and propriety of financial administration, and / or the management of operational risks.

5.2 Legal implications

The City Council is required by the Accounts and Audit Regulations 2015 to approve, and subsequently publish, the Annual Governance Statement alongside the Statement of Accounts.

6. Other implications

6.1 How will this contribute to achievement of the Council Plan?

The governance framework comprises the systems and processes (i.e. the internal control environment), and culture and values, by which the authority is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

6.2 How is risk being managed?

The key risk that exists is that planned actions are not implemented. This risk is managed through the Council's governance framework which includes arrangements to provide oversight of planned actions through reporting to senior management and designated committees / boards. Defined processes also exist to gain assurance that agreed actions arising from the work of Internal Audit, External Audit or another external agency have been implemented on a timely basis.

6.3 What is the impact on the organisation?

None

6.4 Equalities / EIA

None

6.5 Implications for (or impact on) climate change and the environment

No impact

6.6 Implications for partner organisations?

None

Report author(s):

Name and job title:

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Finance

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Michelle Salmon	Governance Services Officer	Law and Governance	7/7/2021	7/7/2021
Paul Jennings	Finance Manager Corporate Finance	Finance	7/7/2021	7/7/2021
Names of approvers: (officers and members)				
Barry Hastie	Director of Finance	-	7/7/2021	13/7/2021
Julie Newman	Director of Law and Governance	-	7/7/2021	14/7/2021
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	7/7/2021	8/7/2021

This report is published on the council's website: www.coventry.gov.uk/meetings

Appendix One – Annual Governance Statement 2020-21

1. Scope of responsibility

- 1.1 Coventry City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Coventry City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Coventry City Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 Coventry City Council has an approved Code of Corporate Governance, which is consistent with the principles reflected in the CIPFA / SOLACE framework and guidance *Delivering Good Governance in Local Government* (2016). A copy of the Code is available on our website at:
http://www.coventry.gov.uk/downloads/file/3639/code_of_corporate_governance_2017
or can be obtained from Governance Services.
- 1.4 The Annual Governance Statement explains how Coventry City Council has complied with the Code and also meets the requirements of Regulation 6(1) (b) of The Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an Annual Governance Statement and the Accounts and Audit (Amendment) Regulations 2021.

2. The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Coventry City Council policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Coventry City Council for the year ended 31st March 2021 and up to the date of approval of the Statement of Accounts.

3. The governance framework

The key principles, approach and review processes that comprise the authority's governance arrangements are set out in the City Council's Code of Corporate Governance. Key elements include the following:

- 3.1 There is a governance / internal control environment that supports the Council in establishing, implementing and monitoring its policies and objectives. The Council's overarching objectives are contained in published policy documents including the Council Plan. These high-level plans are supported by a range of thematic policies, strategies and delivery plans, service plans, and detailed work programmes.
- 3.2 Coventry's Council Plan sets out the Council's long-term vision and priorities for the city for the period 2016-2024. In 2018, the Plan was reviewed and rebranded in line with the Council's emerging One Coventry approach and a revised performance management framework has been introduced to improve transparency and streamline performance reporting with more regular information updates about the performance of the city. To deliver the Council's long-term vision and priorities, the Council Plan affirms the Council's commitment to do this by maximising the use of its assets and reducing its operating costs, and through active communities and empowered citizens. The Council Plan is part of the Council's overall performance management framework designed to help the Council deliver its services and use its resources effectively in a planned and systematic way. A copy of the plan is available on our website at www.coventry.gov.uk/councilplan/ and the performance management framework is at: http://www.coventry.gov.uk/downloads/download/5245/performance_management_framework
- 3.3 Throughout this process, clear channels of communication exist with all sections of the community and other stakeholders, to ensure the Council considers local needs and communicates both expected and actual outcomes for citizens and service users. This is evidenced through the Council's formal decision-making and performance management processes.
- 3.4 In October 2015, Coventry City Council agreed to join the proposed West Midlands Combined Authority, which is a model of governance for local authorities to act together to drive economic prosperity for the area. A Combined Authority is a statutory body in its own right supported by a devolution agreement with the Government and a constitution which sets out the terms of their funding and powers.
- 3.5 In December 2017, it was announced that Coventry had been named the UK City of Culture for 2021. The aim of this programme is to encourage the use of culture and creativity as a catalyst for change, to promote the development of new partnerships and to encourage ambition, innovation and inspiration in cultural and creative activity. This activity will make significant contributions to the delivery of the Council Plan and corporate priorities. Coventry City of Culture Trust has been set up to organise and deliver this activity and has been formally incorporated and received charitable status. Financial responsibility for the Trust's activities lie with the Chair and Trustees, with an independent Audit Committee providing scrutiny and oversight. As accountable body and guarantor for delivery of the UK City of Culture 2021 programme, Coventry City Council is a principal partner in supporting the work of the Trust and ensuring that there is good governance around the Trust meeting the City of Culture programme delivery and legacy ambitions.
- 3.6 The control environment to ensure delivery of the Council's objectives is laid down in the Council's Constitution and performance management framework. The Constitution sets out how the Council operates, including:
 - Roles and responsibilities of both Councillors and officers, including the Head of Paid Services, Monitoring Officer and Chief Financial Officer.

- How decisions are made and the procedures in place to ensure that these are efficient, transparent and accountable to local citizens. The Constitution includes the Council's senior management structure and a scheme of delegation which sets out the principles for decision making and responsibility for functions. The Council facilitates policy and decision making via a Cabinet structure with Cabinet Member portfolios. There are scrutiny boards covering all portfolios and an overarching Scrutiny Co-ordination Committee. The Member decision making, advisory and scrutiny bodies are shown at <http://www.coventry.gov.uk/howthecouncilworks>
- 3.7 Coventry City Council has developed a comprehensive set of policies and procedures, including those relating to the standards expected of Members and officers. These are subject to regular review to ensure the Council continues to enhance and strengthen its internal control environment. Systems exist to ensure compliance with policies and procedures, including statute and regulations. Internal Audit, through its annual risk-based plan assesses compliance with key procedures and policies.
- 3.8 The Council has an Equality, Diversity and Inclusion Commitment which is available on our website at: [equality, diversity and inclusion commitment](#). This sets out the Council's commitment to meeting all areas of the public sector equality duty and to ensure equality of opportunity, both as a provider and commissioner of services and as a large employer. The commitment is implemented through setting equality objectives linked to the Council Plan. In 2020, a new set of equality objectives were approved and are available on our website at: [Equality Objectives | Equality and Diversity | Coventry City Council](#). Progress is monitored and reported to the Cabinet Member (Policing & Equalities). In 2020, a large scale EIA was carried out to assess the local impact of the coronavirus pandemic on the delivery of Council services and can be viewed on our website at: [pre-budget report Covid EIA](#).
- 3.9 The Council's Risk Management Strategy defines processes for identifying, assessing, managing and monitoring financial and operational risks. The Strategy recognises the need for risk registers at directorate and corporate level which are updated and reviewed regularly. The Council is looking for continuous improvement throughout the Council in the management of risks, and this is being monitored through the Strategic Management Board.
- 3.10 The Council, through its Whistleblowing and Complaints Procedures, has documented processes in place to deal with concerns raised by both employees and members of the public. These policies have been widely communicated and are subject to regular review to ensure they are working effectively. In addition, the Council's Fraud and Corruption Strategy reinforces the Council's commitment to creating an anti-fraud culture, whilst having effective arrangements in place in responding to allegations of fraud and corruption.
- 3.11 An Audit and Procurement Committee provides independent assurance to the Council on various issues, including risk management and control and the effectiveness of the arrangements the Council has for these matters. The Committee's terms of reference were developed in conjunction with CIPFA guidance, and the Committee carries out a periodic self-assessment to measure its effectiveness, based on recommended CIPFA practice.
- 3.12 For the financial year 2020-21, the Director of Finance was the nominated Section 151 Officer, with the delegated responsibility for ensuring there are arrangements in place for proper administration of financial affairs. The Council last carried out an assessment of the role of the Section 151 Officer against the requirements stated in the CIPFA

Statement on the Role of the Chief Financial Officer in Local Government (2016) in April 2021. This assessment concluded that the Authority meets the five principles laid out in the CIPFA statement, namely:

- The Chief Financial Officer (CFO) in a local authority is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.
- The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy.
- The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.
- The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose.
- The CFO in a local authority must be professionally qualified and suitably experienced.

The S151 Officer is a key member of the Council's Strategic Management Board with a critical role in strategic planning for the organisation. The Board also includes the Chief Executive and Monitoring Officer, who, along with the S151 Officer, collectively have leadership responsibility for good governance as principal statutory officers. The CFO is also part of the Council's Corporate Leadership Team which consists of all of the Directors of the Council.

3.13 The Annual Governance Statement also includes a review of the effectiveness of the system of internal control within group activities, where the Council is in a relationship with another entity to undertake significant activities. The following describes the group activities for the year ended 31st March 2021:

- The Coventry and Solihull Waste Disposal Company Limited is owned jointly by Coventry City Council, Solihull Metropolitan Borough Council, Warwickshire County Council and Leicestershire County Council. A formal agreement sets out the governance arrangements between the shareholders. The Company is subject to the Industrial Emissions Directive and the conditions of its Environmental Permit issued by the Environment Agency. Furthermore, the Company monitors its activities through an Environmental Management System accredited to the ISO 14001 standard, its Health and Safety Management System which is certified to the OHSAS ISO45001 standard and the Cyber Essentials accreditation it has achieved for its IT systems. The Company has appointed Ernst & Young LLP as its external auditors. The last published Annual Report and Financial Statements, for the year ended 31st March 2020, did not highlight any concerns. The accounts contain an auditor emphasis of matter note referencing the consequences the company is facing as a result of coronavirus but there is no indication that the coronavirus outbreak represents a likely threat to the Company's ability to continue as a going concern.
- North Coventry Holdings (NCH) Limited is a wholly owned subsidiary of the Council. All the Directors of the Company are senior officers of Coventry City Council. All transactions are processed using the Council's financial systems and such activities

are subject to an annual audit by the Council's Internal Audit Service. The Company has LDP Luckmans as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st March 2020. The company's main purpose is to hold shares in Coventry North Regeneration Limited, although it is also engaged in providing business development services to the City Council.

- Coventry North Regeneration (CNR) Limited is a wholly owned subsidiary of NCH Limited. The main activity of the Company was the construction of the Ricoh Arena. All the Directors of the Company are also senior officers of Coventry City Council. All transactions are processed using the Council's financial systems and such activities are subject to an annual audit by the Council's Internal Audit Service. The Company has LDP Luckmans as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st March 2020.
- Coombe Abbey Park Limited (CAPL) is a wholly owned subsidiary of the Council, which acquired 100% of the ordinary share capital of the company in December 2017. The purpose of the company is to operate Coombe Abbey Hotel. The three directors of the Company are senior officers of Coventry City Council. The Company has appointed RSM UK Audit LLP as its external auditors. The last published Annual Report and Financial Statements, for the year ended 31st December 2019, did not highlight any significant concerns. The financial statements were prepared on a going concern basis notwithstanding a reported loss within the accounts. This position was based on an undertaking that the parent entity (Coventry City Council) will continue to make such funds as are needed by the company. The Council approved a report in March 2021 which provided for the company's outstanding liabilities to the Council to be refinanced and further cash-flow support to be made available to the company in the light of the impact of the Covid-19 pandemic.
- The UK Battery Industrialisation Centre Ltd was incorporated on 27th February 2018 and the Council is currently the sole shareholder with 1 share which has a nominal value of £1. The purpose of the company is to run the proposed National Battery Development Facility for which the final part of fit-out is expected to be complete in the early Summer of 2021. The Council has appointed two of its officers as directors on the board. The company will ultimately become a Joint Venture Private Limited Company with the Warwick Manufacturing Group. The City Council is initially purchasing all land and equipment in relation to the facility with funding coming from Innovate UK which is a Government backed agency and the West Midlands Combined Authority. The Company has appointed RSM UK Audit LLP as its external auditors. The notes to the most recent audited accounts to 31st December 2019 state that delays in the start of commercial operation and in securing contracted revenue represent issues of material uncertainty that may cast significant doubt on the ability of the company to continue as a going concern. However, the directors have stated a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future through further grant funding if needed and they continue to adopt the going concern basis of accounting in preparing the financial statements.
- The Friargate Joint Venture Project Ltd was incorporated on 17th December 2018. This is a 50/50 joint venture with Friargate Holdings 2 Limited, established to develop new buildings within the Friargate district of the city. In this regard, construction works have now begun on a second new office building and preparations are well developed to enable the provision of a new hotel within the Friargate district. Each of,

Coventry City Council and Friargate Holdings 2 Ltd have been issued 1 Ordinary Share for a value of £10m each. The Council has appointed three of its officers as directors of the board.

- Tom White Waste Ltd is a wholly owned subsidiary of the Council, having acquired 100% of the shares in the company in March 2020. Two of the three Directors of the Company are senior officers of Coventry City Council, the third being a senior officer of North Coventry Holdings, another wholly owned subsidiary of the City Council. During the first year of ownership, the board have reviewed and implemented a new management structure, appointing to key strategic positions including the Managing Director and Financial Controller. It has also during the first year of ownership implemented a robust financial and operational performance reporting process and taken the initiative to ensure full compliance with key legislative requirements in particular Health and Safety. This together with the Covid-19 pandemic, has made 2020/21 a challenging year with a number of one off adverse financial implications, however the Company has continued in overall terms to trade relatively strongly and have proven to be resilient. The Board of Directors is currently considering its business plan for the next 3 years which will be growth focused and could include the integration of the Council's existing commercial waste function. The company's existing auditors, Azets (formerly Baldwins) have been retained for the audit of 2020/21 financial accounts. Their previous audit for the published Annual Report and Financial Accounts dated 31 March 2020 delivered an unqualified opinion.
- Sherbourne Recycling Limited (SRL) was incorporated on the 25th February 2021 and Coventry City Council along with seven other local authorities acquired shares in the company on the 1st April 2021. The purpose of the company is to manage the construction of a material recycling facility (MRF) and then operate the facility, which will sort the dry mixed recyclable waste received from the eight local authorities and other commercial customers. In addition to Coventry City Council, the other seven authorities each have a representative who is a Council officer on the Board of Directors. Each council has voting rights in proportion to their shareholding. The construction of the facility is being funded by debt and equity finance being provided by the local authorities. The facility is expected to be operational in the summer 2023. Sherbourne Recycling Trading Limited is a trading subsidiary of Sherbourne Recycling Limited who own 100% of the shares in this entity. All commercial contracts will be secured through this entity with the waste being processed by SRL on an arm's length transaction. The Board of the Directors for the two companies is the same as is the voting rights.

4. Review of effectiveness

- 4.1 Processes are in place to assess key elements of the governance framework throughout the year, for example, through the work of Internal Audit and the Council's Audit and Procurement Committee. A review of the effectiveness of the governance framework is also undertaken annually as part of the production of the Annual Governance Statement. This is informed by the work of senior managers within the authority, who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of Coventry City Council's risk management, internal control and governance arrangements, and also by comments made by the external auditors and other review agencies and inspectorates.

- 4.2 Arrangements to assess the effectiveness of the governance framework include:
- Regular and detailed monitoring of the Council's performance, by both Strategic Management Board and Members against targets and objectives set out in the Council's Plan.
 - Regular meetings of the Council's Governance Steering Board to consider on-going and emerging governance issues and co-ordinate actions required. Updates on this work are provided to Strategic Management Board every month.
 - Consideration of ethical governance matters by the Ethics Committee, including reflecting on national governance failings to identify if there are any lessons learnt for the Council to take forward.
 - On-going reviews of the Council's Constitution, overseen by the Constitution Advisory Panel and subject to approval by Full Council. These reviews include areas such as standing orders, financial procedures and the scheme of delegation.
 - Regular reviews of the Council's strategies and procedures to ensure they continue to reflect the needs of the Council.
 - An annual review against the principles and best practice set out in the Code of Corporate Governance and which is used to identify improvements to strengthen the Council's governance arrangements. In 2020-21, the review has focused on considering the impact of Covid-19 on governance arrangements and assessment of the effectiveness where the Council has been required to adapt its arrangements.
- 4.3 The review of effectiveness has also been informed by:
- Reports from the external auditors and other inspection agencies.
 - The Council's Corporate Risk Register and Covid-19 Risk Register.
 - Directors' Statements of Assurance. An annual assessment of the adequacy of governance arrangements / internal controls in relation to their service areas by each Director.
 - An initial assessment of the Council's compliance with the principles and standards of the CIPFA Financial Management Code, which supports good practice in financial management and demonstrating financial sustainability. Whilst 2021-22 is the first full year of compliance, CIPFA have recognised the additional burdens placed on local authorities as a result of the pandemic and have allowed for further flexibility in progressing plans for implementation during 2021-22.
 - The work of the Internal Audit Service during 2020-21. The Service works to a risk-based audit plan, which is approved annually by the Council's Audit and Procurement Committee. An annual report is also produced and presented to the Committee. The report identifies those issues, which in the opinion of the Chief Internal Auditor, should be considered when producing the Annual Governance Statement.
- 4.4 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Procurement Committee and can provide reasonable assurance that the Council's governance arrangements continue to be

regarded as fit for purpose in accordance with the governance framework and that a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. Significant governance issues

- 5.1 Table one below provides an update on the governance issues that were raised in the 2019-20 Annual Governance Statement. It is clear that for some issues, the coronavirus pandemic has created challenges in delivering the planned actions in the timescales originally envisaged and re-shaped the focus of activity. However, the Council remains committed to enhancing its governance arrangements and where actions have been delayed, revised timescales have been agreed and are reflected in the action plan for 2021-22.

Table one

No	Governance issues identified in 2019-20	2020-21 update
1	Sustainable improvement in Children's Services	<p>The Local Safeguarding Partnership is now embedded and established as business as usual. It receives quarterly reports on progress.</p> <p>There are number of further transformational projects underway under the banner of continuous improvement. Quality Assurance visits have continued and involve the cabinet member and the Children's Senior Leadership Team.</p> <p>Service performance reviews did not take place this year due to the pandemic however a reduced but full program of quality assurance activity did take place.</p> <p>The workforce strategy action plan has been delivered on and a new strategy and action plan has been implemented for this year.</p>
2	Ensuring delivery of the Council's vision and corporate objectives, in line with the Medium-Term Financial Strategy	<p>The financial outturn position for 2020/21 reflects a better than balanced position including taking account of the costs and grant funding relating to COVID-19.</p> <p>The Council has approved a balanced 2021/22 budget managed without the need to make additional service savings.</p>
3	Raising educational standards	<p>Key stage 1 and 2 SATs, and Key stage 4 assessments did not take place in the 19/20 or 20/21 academic year, although we will have teacher assessment for Key Stage 4. In addition, OFSTED graded inspections have not taken place since March 2020. The co-created annual actions and key principles for the 20/21 academic year were:</p> <ul style="list-style-type: none">• Implement and manage proportionate Covid-19 protective measures for children and staff, which also ensure that all pupils receive a high-quality education that enables them to thrive and progress.• Improve educational outcomes for children and young people with Special Educational Needs and Disabilities (SEND) across all key stages, including in the early years.• Develop children and young people's emotional resilience and mental health and well-being to support both a successful return to learning and continued home/remote

		<p>learning.</p> <ul style="list-style-type: none"> • Develop an approach to remote education that: <ul style="list-style-type: none"> ➢ provides targeted support for young people who have limited digital and internet access to ensure they can engage in remote education ➢ is integrated into school curriculum planning ➢ ensures pupils are given the support they need to master the curriculum and so make good progress ➢ ensures online activity is monitored in order to keep children safe
4	Implementation of the Information Management Strategy	<p>Following the appointment of the new Senior Information Risk Owner, the Information Management Strategy Group (IMSG) was reconvened, and the Terms of Reference and Information Management Strategy were approved at the meeting held in April 2021.</p> <p>The Training Strategy is in final draft and with IMSG for consultation.</p> <p>The Council's response to the pandemic has taken the priority from embedding data security and information risk management, however it has subsequently brought information security to the forefront with remote working/new ways of carrying out job roles.</p> <p>Once the Council's recovery plan is felt across the organisation more focus can be given to imbedding information risk management, however progress is being made behind the scenes and Head of Information Governance is consulting with external partners on tried and tested best practice.</p> <p>New mandatory training has not been put to Strategic Management Board as they have been conducting their own review of all mandatory training offered. The opportunity was taken to separate Data Protection training from this review as training content and delivery method are being considered to ensure that all employees may be offered suitable and relevant training on the subject matter.</p>
5	Delivery of the People Plan	<p>The Council's values were formally launched in April. The values have been publicised in several ways and have been embedded into the appraisal process for 21/22. An engagement plan has been developed in conjunction with the Communication Team to further build the values into the processes such as recruitment as well as undertaking greater employee engagement. The plan has a survey timescale built in, so we do seek and listen to the employee experience.</p> <p>The Diversity and Inclusion Strategy has been developed in partnership with the Employee Networks and the Trades Unions, with a launch week of the 21st June 2021 with a week of related learning and engagement.</p> <p>An electronic casework system was introduced in March and has improved the recording and management information of casework. Plus, a new reward platform was introduced in January and we are now able to offer cars, discount vouchers, cycle to work scheme, bikes, technology and lifestyle goods. We continue to look to review and revise our offer to ensure we are competitive.</p> <p>Several policies and procedures have been reviewed and revised including; Lifelong Learning, Recruitment and Selection, Continuing to work flexibly and Family Friendly Policies. This</p>

		<p>also includes the provision of related training where appropriate. We continue to review and revise the remaining policies. The last year has seen health and well-being initiatives increase to support Covid-19 but also in response to the feedback received from staff surveys. We have developed and introduced a Health and Well-Being Plan for staff which details the activity for this year which includes investing in a podiatry clinic, MSK direct support and a Health and Well-Being lead nurse for a year. Examples of initiatives introduced in the last year include the introduction of a health and well-being app – Kaido which included team challenges, yoga classes online, a number information sources and workbooks for mental health and Mental Health First Aid Training. We have also provided ‘Resilience’ and Managing a Remote Workforce’ training. It should be noted absence has reduced during the pandemic and we are working to sustain this reduced level going forward.</p> <p>Health and Safety have been very focussed on supporting the pandemic and ensuring we work safely as the volume of work has been high. Well-being services have concentrated on support to employees with an increase in the counselling service specifically.</p> <p>There are now four strategy documents namely the People Plan, Employee Health Well-Being Strategy, Diversity and Inclusion Strategy and Engagement Plan that detail the work of the HR service. All these documents have measurable outcomes, stated timelines, with accountable officers which are now being delivered. Progress and achievement can be evidenced, thus making this business as usual. As a result, this governance issue has not been carried forward to the 2021-22 action plan.</p>
6	Management of increasing demand in relation to homelessness and the associated costs of housing families in temporary accommodation	<p>The Service has managed to secure a £2.5m million underspend for 2020/21 by delivering on the following actions:</p> <ul style="list-style-type: none"> • The overall number of households in Temporary Accommodation has reduced during 2020/21 • Cornerstone Temporary Accommodation and Caradoc Hall have been close to 90% occupancy • 72 properties through the Private Rented Scheme have been secured and let • The Council has now purchased 7 Houses of Multiple Occupation (HMO) with an additional 3 in the pipeline • No families in B&B (except a short-term emergency) since Sept 2019 and no singles in B&B (except rough sleepers under ‘Everyone -In) since Sept 2020 • Homeless Preventions and reliefs were successful for 1100 households which exceeded corporate target of 750 • Agreement with a national Temporary Accommodation provider to provide 120 units of HMOs for single people at a significant saving. • Temporary Accommodation charging policy implemented, and savings secured • Accommodated over 330 people through the Government Everyone in initiative • Although Covid-19 has seen a decrease in the number of families in temporary accommodation the demand from single people has continued to increase • Working with Future Gov to implement self-service tools and interventions for those with complex needs • Implemented new Supported Housing Contracts

7	Development of a corporate data access standard	The impact of Covid-19 has meant that this has not been progressed.
8	Governance over relationships with partners and outside bodies	<p>Our continuing response to Covid-19 has reinforced the importance of a city wide One Coventry Partnership response. The One Coventry Partnership meetings held with senior officers from key partners were stepped down whilst a city wide IMT was established to manage a coherent response to Covid-19. It is envisaged that the One Coventry partnership will be refreshed and stepped up again as part of the transition out of emergency planning and national lockdown.</p> <p>Reset and recovery plans take into account City Council priorities and the changing economic geography post pandemic, levelling up, devolution and health and care integration.</p> <p>An Anchor Alliance collaboration has been established across Coventry and Warwickshire, key commitments agreed and specific actions for collaboration are under development.</p> <p>One Coventry plan refresh is underway.</p>
9	Governance over the programme of capital projects	Governance arrangements continue to be in place and embedded, including the City of Culture Readiness Board and the Council's Programme Delivery Board which meet regularly.
10	City of Culture legacy	<p>Direct investment secured for the city through being awarded the title of UK City of Culture 2021 has continued to grow – now reaching in excess of £115m. Of this funding, £45million is being invested in the city's infrastructure (improving public realm and highways) and £41m is being invested in the city's cultural assets (performance spaces, heritage venues and creative hubs.) Work on both these investment programmes has significantly progressed, despite the challenges presented for construction programmes through the COVID-19 pandemic. The Box at FarGo, Belgrave Theatre Phase 1 and 2, Daimler Powerhouse and Herbert Art Gallery and Museum project works have already achieved completion, along with public realm projects.</p> <p>The accommodation offer for visitors to the city has further been enhanced, through the completion of Telegraph Hotel development, which opened to the public in May 2021.</p> <p>Culture Change Coventry - the city's Cultural Compact, continues to meet regularly. The Compact is in the process of refreshing the cultural strategy, a process closely linked to a consultancy project commissioned by the City of Culture Trust to investigate the routes to a sustainable and impactful legacy from City of Culture 2021. A draft legacy plan is planned for the Summer of 2021, with strategic consultation on the draft plan due in Autumn 2021.</p>
11	Acting on the outcomes of the review of the Council's Scrutiny function	Appropriate recommendations were built into the scrutiny approach for the year including stronger scoping and prioritisation of items and more engagement of Cabinet Members. A Scrutiny Protocol and approach to work planning is being developed and training for chairs and scrutiny members has been scheduled for the start of the new municipal year and built into the new Member Development and Training programme. As appropriate actions have been completed, this governance issue has not been carried forward to the 2021-22 action plan.

12	Strengthening arrangements linked to the programme of health and safety audits undertaken	The pandemic has continued to impact on the delivery of the Audit programme. Priority and resources have been focused on mitigating the risks from COVID 19. The Audit Programme will remain under review during 2021. Embedding new arrangements will remain on hold till 'normal' working arrangements are re-established.
13	Further development of the Council's IT disaster recovery plans and processes	Various technical improvements have been made during the past twelve months such as improvements to the Council's network resilience and patching and also commissioning a new secondary data centre. Alongside this we have made improvements to remote access technologies and have been running several infrastructure modernisation programmes which have been making progress throughout the year. However, Covid-19 has impacted on the organisations capacity to be able to focus on a cross organisation working group with regards to business continuity and ICT disaster recovery. This element of this action will therefore be carried forward to 2021/22.
14	Review and update of the Social Value and Sustainability Policy	This was delayed due to the impact of Covid-19 and further consultation which was undertaken.
15	Implementation of the Local Government Ethical Standards Best Practice from the Committee on Standards in Public Life	Work is continuing to establish an overarching governance framework for devolved bodies. This will have an enhanced ability to promote best practice and to hold to account any non-compliance.
16	Implementation of the Redmond Review into the oversight of local audit and the transparency of local authority financial reporting	The Government issued an update on the Redmond Review's findings on 19 th May 2021. For nearly all the recommendations work is still in progress at the Government level to determine how these will be implemented. The recommendations that will require Councils to act at a local level related to (i) the governance for responding to audit findings and (ii) improving the transparency of local authority accounts. In both areas Government guidance is awaited on how Councils should implement these.

5.2 The Council acknowledges that the coronavirus pandemic has had an impact throughout 2020-21 in respect of governance, both in terms of existing arrangements and new areas of activity linked to the Council's response to the situation. This has included arrangements to support decision making, managing risk, maintaining internal controls and robust financial management. The Council has assessed the impact of Covid-19 on its arrangements as part of the work undertaken to prepare the Annual Governance Statement. This has concluded that taken as a whole, our arrangements have continued to be effective in delivering against the principles of good governance as outlined in the Local Code of Governance. Examples of this effectiveness include:

- The financial outturn position for 2020/21 reflects a better than balanced position including taking account of the costs and grant funding relating to Covid-19.

- The Chief Internal Auditor's annual opinion that moderate assurance can be given that Council's risk, control and governance arrangements are adequate and effective, which is consistent with previous opinions.
- Providing access to public meetings through webcast facilities, which also enables meetings to be viewed after the event.
- Effective delivery of elections in May 2021.
- Ensuring transparency over emergency decisions taken through formal reporting to Council, regular briefings to members and publishing decisions on the Council's website.
- Implementing a number of initiatives to maintain the health and wellbeing of the workforce. There has also been a reduction in sickness absence in the last year.
- Significant progress has been made in relation to the Council's programme of capital investment to maximise outcomes from the City of Culture.

Notwithstanding this, the Council recognises that currently we are not in a position to fully understand all of the longer term impacts of Covid-19 on the Council's priorities and achievement of sustainable outcomes and will need to ensure that this remains a key area of focus during the forthcoming year.

- 5.3 The Council is seeking to continuously enhance its management arrangements to improve service delivery, efficiency and value for money, whilst achieving its objectives. The review of effectiveness, including consideration of the impact of the coronavirus pandemic on the Council's arrangements has informed identification of the following key challenges for 2021-22 (table two), along with the actions planned to address these matters to further enhance our governance arrangements.

Table Two

Ref	Governance issue	Planned actions 2021-22	Responsible officer	Timescale
1	Sustainable improvement in Children's Services	<p>The following actions are planned in 2021-22:</p> <ul style="list-style-type: none"> • Program of quality assurance activity • Quality Assurance Visits • Service Performance reviews (six monthly) • Establishing a framework of feedback from the front line (Innovation and improvement forum) • Delivering the development plan in response to the 2021 Ofsted visit • Implementing the Continuous Improvement Plan • Delivery of this year's workforce plan 	Director of Children's Services	March 2022
2	Ensuring delivery of the	The 2021/22 budgetary control position will be closely monitored to	Director of Finance	July 2021 to January

	Council's vision and corporate objectives, in line with the Medium-Term Financial Strategy	<p>ensure that the legacy financial impact of COVID-19 can be managed alongside the other financial pressures being experienced by the Council and the need to continue to pursue a reset and recovery phase for the city.</p> <p>Work has begun to assess the range of financial scenarios facing the Council for the period from 2022/23. Once again this is likely to be undertaken without any intelligence on future local government funding plans until relatively late in the budget setting cycle. The proposals will incorporate the next stage of transformation programmes that will form part of implementing the One Coventry Plan. These proposals will be formalised through the 2022/23 Pre-Budget Report.</p>		2022
3	Raising educational standards	We will refresh the school improvement principles for the 21/22 academic year and agree with the Coventry Education Partnership in early Autumn. Improving educational outcomes for children and young people with SEND and developing children and young people's emotional resilience and mental wellbeing are likely to continue to be key principles, and we will need to consider what we need in relation to education recovery, and return of OFSTED graded inspections which will be two very significant parts of the School Improvement strategy moving forward.	Interim Head of Education Improvement & Standards	2021/22 academic year
4	Implementation of the Information Management Strategy	<p>A review of Data Protection training and delivery will take place to provide up to date, user friendly Data Protection training and delivery to suit various roles. Following this the new training strategy will be finalised and approved.</p> <p>Action will be taken to drive the embedding of information risk management across the organisation, including implementing the agreed actions from the Internal Audit review and implementing an appropriate information asset management solution.</p>	Head of Information Governance / Information Management Strategy Group / Senior Information Risk Owner	March 2022

5	Management of increasing demand in relation to homelessness and the associated costs of housing families in temporary accommodation	<p>The service secured a £2.5million underspend during 20/21 which included expenditure of over £1m on accommodating rough sleepers. A number of mitigations were put in place over the previous 2 years that have resulted in this improved position and will continue to have a positive impact moving forward.</p> <p>However, the homelessness service is demand led and it is anticipated that there will be a significant increase in demand during 2021/22. The mitigations that have been put in place ensures that the service is in a good position to deal with any increase however this will be dependent on wider Covid-19 impacts. The following actions are planned for 2021-22:</p> <ul style="list-style-type: none"> • Continue to purchase HMO temporary accommodation for single people • Seek to increase the number of homeless households accommodated by Lets Rent Coventry • Further increase number of homeless prevention and reliefs – Annual target of 1,150 • Investigate undertaking a Private Sector Leasing procurement to commence in 2022 • Work <u>\covserv1\work</u> with supported housing providers to secure alternative accommodation for single people in Temporary Accommodation • Continue to seek reductions in Temporary Accommodation costs • Implement a rent accounting IT system to ensure maximisation of income • Continue to minimise voids in Temporary Accommodation and meet target of 90% occupancy 	Director of Housing & Transformation / Head of Housing & Homelessness	March 2022
6	Development of a corporate data access standard	Development and implementation of a corporate access standard and protocol for all systems that hold personal data.	Members & Elections Team Manager	December 2021
7	Governance over relationships with partners and outside bodies	<p>Refresh of the One Coventry partnership as part of exit from Covid-19 emergency planning.</p> <p>Further development of system working across Coventry and Warwickshire through Anchor</p>	Deputy Chief Executive Chief Executive	December 2021 Ongoing

		Alliance collaboration.		
8	Governance over the programme of capital projects	The Council has an ambitious programme of capital projects, which in 2021/22 will not only see Coventry becoming UK City of Culture in Spring 2021 but will provide long term legacy benefits for the people of Coventry. Whilst providing ongoing regeneration and redevelopment of the city and supporting business rate growth, the scale of the programme requires robust governance and strategic control to ensure that the programme is delivered successfully. This is particularly important as we deal with the effects of the Covid-19 epidemic. Governance arrangements are established with delivery overseen by project boards who report to the responsible cabinet members via established briefing and reporting mechanisms. Governance is also provided via the City of Culture Readiness Board and the Council's Capital Programme Delivery Board which is chaired by the Chief Executive. In 2021/22 the focus will be on ensuring that as the programme continues to move at pace, governance arrangements remain embedded and robust and programme delivery supports the Council's wider aspirations as well as supporting the local economy as we emerge from the Pandemic.	Chief Executive	On-going
9	City of culture legacy	Current capital investment programmes focused on enhancing public realm, city spaces and cultural assets in readiness for Coventry's year as UK City of Culture will complete, with a new focus developed on legacy capital projects and the role of culture in stimulating and supporting wider city regeneration. Work to secure legacy programmes and investment from private and public sector sponsors and partners will continue across the City of Culture year. Coventry will launch a new Destination Management Organisation to market and promote the city to business and leisure tourism sectors, representing a partnership between the city's public and private sectors. Culture Change Coventry, the city's	Strategic Lead, City of Culture / Head of Service Sports, Culture, Destination & Business in-conjunction with key stakeholders /colleagues	On-going

		Cultural Compact, will refresh the City's Cultural Strategy in close consultation with the Coventry City of Culture Trust and a wide range of stakeholders. The new strategy will aim to secure a targeted, sustainable and impactful legacy from UK City of Culture 2021.		
10	Strengthening arrangements linked to the programme of health and safety audits undertaken.	There will be a continued focus on mitigating the risks from Covid-19 and the changing requirements in the workplace during 2021. It is planned to review the Audit, Inspection and Monitoring Programme in March 2022, with the expectation that a new 'normal' will have been established by then.	Occupational Health, Safety & Wellbeing Services Manager / Health & Safety Team Leader	March 2022
11	Further development of the Council's IT disaster recovery plans and processes	A working group will be established to enhance understanding between ICT and the Resilience Team of business needs / ICT capabilities, which will support the development of robust and realistic plans and ensure that the disaster recovery and business continuity processes are more integrated and aligned. To support this, we have recently relaunched our business engagement function within ICT & Digital to help better understand service's needs. ICT disaster recovery processes will be enhanced, with supporting documents formalised and testing arrangements agreed.	Head of ICT & Digital	March 2022
12	Review and update of the Social Value and Sustainability Policy	It is planned that the updated policy will go to Cabinet for approval during 2021/22.	Head of Procurement & commissioning	September 2021
13	Implementation of the Local Government Ethical Standards Best Practice from the Committee on Standards in Public Life	Separate bodies which have been set up or are owned by the Council will be advised around the application of the Nolan principle of openness and requested to consider publication of their board agendas / minute and annual reports in an accessible place, whilst understanding any wider implications arising from this.	Director of Law & Governance	March 2022
14	Implementation of the Redmond Review into the oversight of	The Council awaits Government guidance on the review's recommendations and will seek to implement these in the manner and	Strategic Management Board / Corporate	Ongoing

	local audit and the transparency of local authority financial reporting	to the timetable established by Government.	Governance Group in-conjunction with key stakeholders	
15	To further strengthen the Council's arrangements and internal control environment around IT / Cyber Security	Alongside the implementation of Internal Audit recommendations in relation to reviews undertaken linked to IT / Cyber Security, the Council will be working towards Cyber Essentials Plus accreditation, increasing awareness of cyber security across the organisation and taking steps to ensure sufficient resources are in place to manage associated risks.	Director of Housing and Transformation / Head of ICT and Digital.	March 2022
16	Compliance with the Financial Management Code	An initial self-assessment of the Council's compliance with the Financial Management Code has concluded that the Council is in a relatively strong position with regards to having good and sustainable financial management. This position will be reviewed in 2021/22 to enable the Council to clarify and document how it meets the Code's key standards. This might include demonstrating clearly: the extent to which services provide value for money; the degree to which it is financially resilient and how well financial sustainability is reported to members; the consistency of medium term plans with service plans; the degree to which it engages with stakeholders in developing its financial strategy; the strength of its use of option appraisal methodologies; and how robustly it monitors key risks within its balance sheet monitoring.	Director of Finance	March 2022
17	Ensuring robust governance over group activities / investments	The Council will continue work to ensure that robust financial governance exists in respect of council owned companies and other investments, including further development of its arrangements where required, both within individual activities and from a corporate perspective. This includes consideration of a new overarching governance structure for some or all of the Council's wholly and partly owned companies and consideration of CIPFA guidance which will be issued in 2021/22.	Director of Finance / Director of Law and Governance	Ongoing

18	Embedding new methods of consultation and engagement	The council's approach to communications and engagement will continue to be developed, guided by lessons learnt from the trial of a new online engagement platform, methods used by partners, and new approaches established as a result of covid-19, including the establishment of a public health multi-agency engagement and participation cell and greater use of visual communications to overcome language barriers and provide key messages on a timely basis.	Director of Public Health	March 2022
19	Refresh of the One Coventry Plan	The One Coventry Plan will be refreshed during 2021/22 to reflect the Covid-19 situation and other priorities which have emerged since the last update such as City of Culture, climate change, Brexit and housing and homelessness.	Chief Executive	March 2022

- 5.4 We are satisfied that these steps will address the need for improvements that were identified in our review and we will monitor their implementation and operation, as part of our next annual review.

Cllr George Duggins
Leader of Coventry City Council

Martin Reeves
Chief Executive of Coventry City Council

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